

**BLOODLESS
BLITZKRIEG**



**CASE
AGAINST
WEST GERMAN
INVESTMENT IN
NEW ZEALAND**



Growing unemployment in New Zealand. Workers from the Mosgiel Woollen Mills, Dunedin, — an unavoidable result of 'restructuring' the clothing industry? (photo: Otago Daily Times.)

BLOODLESS BLITZKRIEG —

CASE AGAINST WEST GERMAN INVESTMENT IN NEW ZEALAND.

INTRODUCTION

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Campaign Against Foreign Control in New Zealand.
International Committee of the Catholic Commission for Justice and Development
Clutha Action
University Progressive Club, Canterbury.
and with the help of other individuals to whom we give many thanks.

Since the time of writing (Summer, '79-'80) some details may have changed, some events been overshadowed. However, the purpose of this book has been to give a picture of the dangers of foreign investment in New Zealand, and to help prevent further exploitation of New Zealand's resources by multinational companies.

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INTRODUCTION

FOREIGN INVESTMENT AND DEBT: THE GROWING BURDEN

New Zealand is a country whose governments have incurred enormous foreign debts and sanctioned large amounts of foreign ownership in almost all sectors of the economy. There is nothing new about this, since foreign control of our country dates back to the beginning of the European phase of our history as a British colony. British capital is in fact so entrenched and widespread that many people are surprised to learn that some well-known companies are actually foreign owned.

Such companies, defined officially as ones with at least 25% foreign ownership, receive about 35% of all corporate profits. However, since less than 25% of shares can secure control of a company and more than this need not necessarily do so, the official measure is only an approximation of the degree to which we are not a self-governing people. The breakdown of foreign ownership is roughly 49% British, 27% Australian and other sterling countries (though many of the companies from these countries are in fact U.S. subsidiaries), 16% American, and 7% E.E.C. and other countries. Since World War II, there has been a growing shift from British to American dominance.

In the early 1970's, New Zealand, like other capitalist countries, sank into a major depression from which it has not yet emerged. Our official unemployment is over 50,000 though the actual number of jobless people is generally recognised to be more than twice this. In the period September 1974 to September 1979, living standards fell by more than 20%. There is record inflation of 18.4% (which is expected to be even higher in 1980), and the balance of payments deficit remains acute. One result of this deficit, as well as a contributing cause to it, is that both Labour and National governments have contracted huge foreign debts on which large interest payments must be made.

Foreign borrowing increased markedly since New Zealand joined the International Monetary Fund, and it skyrocketed under the impact of the current depression. In the period March 1974 to March 1979, overseas debt grew from \$465 million to \$2,920 million, and interest on this debt from \$34 to \$174 million per annum. In the December 1978 to March 1979 period alone, the government secured six foreign loans, from institutions in West Germany, Switzerland, Holland, and Japan.

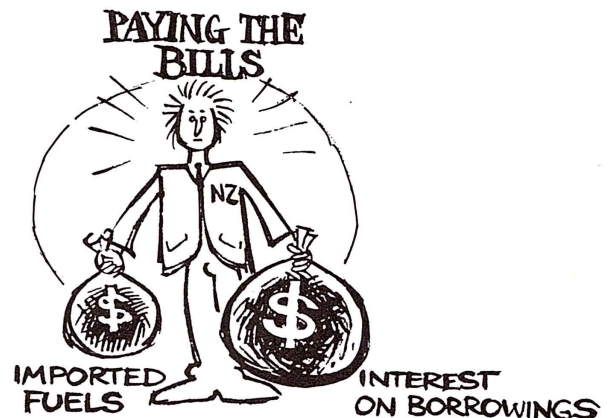
The 1970's have also seen a "new wave" of foreign investments into New Zealand, one which has reached tidal proportions in the second term of the present National government. Old money (British, Australian, and American) is being supplemented by new money (European, Japanese, South Korean, and Arab). The more recent foreign investment has not been in banking, finance, meat works, and stock and station agents, since these were sewn up decades ago. Neither has it involved much in the takeover of existing New Zealand companies. Rather, it has been concentrated mainly in the field of resources and energy: fish, coal, minerals, and hydro-electric power. The process was well under way long before Mr Muldoon announced his grandiose plan to borrow a further \$4,000-5,000 million on international market to finance a few major capital-intensive and energy-intensive projects. However, this announcement, together with the passage of the National Development Act, represented a major move by the government to aid and abet a process which in many respects



resembles the nineteenth-century Scramble for Africa. Hardly a day goes by without the announcement of some new scheme to exploit New Zealand's resources and energy, usually by multinational and local big businesses working in tandem. These are euphemistically called "joint ventures". To attempt to itemise them would be fruitless, since the list would be quickly outdated.

Nevertheless, some general picture of the enormity of the problem is needed to give a context to the main concern of this booklet (the entry of West German business into the Scramble). From 1965 to 1978 (the latest year for which the Reserve Bank publishes comprehensive figures), there were no fewer than 1,601 overseas takeovers in New Zealand, almost 600 of them since 1974. In addition, in 1970-1978 alone, 1,594 overseas companies commenced business here, of which 936 came since 1974. The total profit from direct overseas investments in the period 1951-1978 was \$1,918 million, of which \$901 million was made since 1974. This profit is even greater than the accumulated value of the investments which earned it, namely \$1,852 million.

To get these figures into perspective (a foreign debt of \$2,920 million, a profit in 1951-1978 from direct foreign investments of \$1,918 million, and an accumulated value in the same period of direct foreign investments of \$1,852 million), we might note that the government's total social security payments (after tax) in 1978 were only \$1,243 million. Another way to highlight the effects of foreign control, particularly in view of the propaganda about the so-called "energy crisis", is to remember that in 1979 the outflow of money to what the balance of payments lists as "international investment income" was a whopping \$705 million. Compare this with the \$507 million paid for imported mineral fuels, lubricants, and related materials in June 1978 to June 1979, and the real cause of our problems becomes much clearer.



MULTINATIONAL CORPORATIONS

The difficulties working people* are currently facing result in no small measure from foreign investments, which involve the transfer of control of national resources from local capitalists to foreign capitalists, the multi-nationals. These corporations bring to bear on workers a power (economic, political, and military) far in excess of anything that local collaborators can on their own muster, and they of course benefit enormously from their activities here. They acquire materials and resources for their own overseas operations at relatively cheap prices and can themselves reap the profit margins on any rise in raw material or energy prices. They make extra profits by employing cheap foreign labour instead of their own countries' sometimes costly labour. They can also find markets for their manufactured and semi-manufactured goods in foreign countries, where branch

* Wage and salary earners, students housewives, beneficiaries ... the majority of New Zealanders.

factories use cheap labour to assemble parts imported from abroad and often simply export the finished product.

These international corporations have a strong vested interest in the free movement of capital across national boundaries as well as in "free trade". They must be able to locate their operations in the most profitable (that is, where materials, energy, and labour are cheapest) parts of the world and to import and export freely to ensure that their products are sold profitably. They must be free to shape the tastes of the consumers abroad so that they will be dissatisfied with what their own countries can produce without the "help" of the international corporations. They also require the free movement of international funds, so that they can put pressure on the countries in which they have established themselves by withdrawing funds invested there if the policies of the "host" countries no longer please them. Above all, multinational corporations insist on "free trade" so that countries do not restrict imports, but run into higher and higher international debt so that they are forced to borrow at ever rising interest rates and to "attract" foreign capital.

This is exactly what is happening in New Zealand at the moment. Since the bulk of new foreign investments are concentrated in export industries, and since they are accompanied by an initial inflow of foreign currency, local collaborators are telling us that foreign investment is the solution to "our" balance of payment problem. There are two deceptions here.

The first is that the people who must face the environmental destruction and working conditions brought in by the multinationals are not the ones who have any so-called balance of payments problem. Since they neither buy nor sell in foreign markets, they do not import or export anything. In a private enterprise economy, all importing and exporting is undertaken by businesses solely to the extent that these activities are profitable for them. So just as no worker employed by a company which borrows from a domestic bank has any "debt problem", none has a "balance of payments problem" when the government borrows abroad to help businesses who find it profitable to import more than other businesses find it profitable to export. It is the people who buy and sell abroad, not workers, who are "living beyond their means." Since "we" are no more bound by their foreign than by their domestic debts, all the propaganda calling for export-led growth with the "help" of multinational companies is a subtle but extremely cunning way of presenting business interests as the interests of the nation.

Another problem export-led growth presents workers is that exporters—whether local or foreign companies—agitate for even lower wages than do companies which sell in the domestic market. The latter depend on workers having enough money to buy back what they produce, and wages represent costs (which they of course try to minimize) as well as buying power (which they must somehow also contrive to maximize). The exporting company faces no such dilemma: it wants to produce with the lowest possible wages it can get

away with and is unconcerned when these are insufficient for workers to buy back what they produce. It gets its profits by selling in some higher-wage country. Export-led growth, the most vicious of all alternatives for workers, has already meant increasing poverty and oppression for the people in Asia and Latin America. The growth has been confined to the expansion and power of the multinational companies, a now thoroughly familiar pattern.

The focus of this booklet is on a latecomer to the Scramble for New Zealand's resources rather than on already entrenched interests. We have singled out the Federal Republic of Germany (FRG) commonly known as West Germany, not for any dislike of the German people or memories of World War II, nor even because of the present importance of West German business in our country, but for the enormous potential, as well as the determination to exercise that potential, of giant corporations from that part of the world to exploit the people and resources of New Zealand.

The facts of the matter are that West German investment in New Zealand is insignificant, a mere \$3.5 million in 1978 (mainly in chemicals, insurance, and pharmaceuticals, but also in textiles, precision instruments, optical goods, and shipping). The sole "joint venture" at the time of writing is the *Wesermunde* factory trawler, the significance of which it will be shown lies not in its scale of operations, but in the forms of foreign domination it foreshadows in other areas where interest has been expressed, such as Southland lignite coal and a silicon carbide scheme in the South Island.

In spite of the limited scale of present activities of West German business in New Zealand, two recent developments suggest an imminent opening of the floodgates: the growing debt of the New Zealand government to West German financial institutions and the secretive top-level manoeuvrings among businessmen and politicians in West Germany and New Zealand.

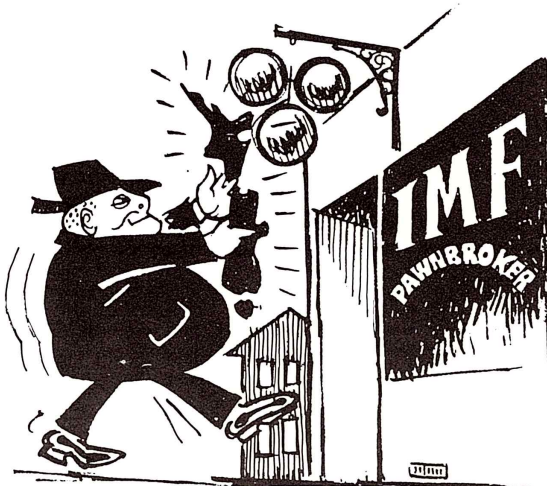
PREPARATIONS FOR "BLITZ"

Overseas debt is intimately bound up with overseas investments, not simply from the New Zealand side (to get foreign currency), but from the West German side as well. Contrary to New Zealand, the problem of the West German economy is the chronic surplus of its balance of payments, a deficit occurring for the first time in fourteen years in 1979. This means there is too much foreign currency (about DM100,000 million at the time of writing) in West Germany which lies uselessly idle unless it can be lent to or invested in some foreign country. However, although \$25,000 million have already been invested overseas, political and economic conditions in a depressed capitalist world present real problems of where to direct this idle money. A great deal has been poured into the Soviet Union, and billions have been lent to China. Already \$839 million is outstanding in New Zealand, making the Deutchemark the main currency of the New Zealand government's international debt. This is a remarkable development since 1967 when the first Deutchemark loan was negotiated by Commerzbank. In spite of the rapid escalation of loans from this institution, which is becoming the virtual holder of the New Zealand government's overdraft, large amounts of money remain idle.

Why has West German business paid so much attention to New Zealand, in the first place by lending so much money (often simply so that the New Zealand government might pay interest on former loans), and then by making preparations for wide-ranging foreign investments? A report in the *Christchurch Star* (10 March 1979) on a survey by International Political Surveys, Inc. (a top-ranking American political consulting firm), provides much of the answer:

New Zealand ranks with Finland and Singapore as the safest country in the world for foreign investment . . . The company supplies to its subscribers an 18-month projection of political, economic and social risks in 60 countries with the greatest amounts of foreign investment . . . Its report, as usual, will be confidential to the Government but it could affect our ability to borrow abroad.

The second recent development which suggests an imminent opening of the floodgates to West German investment is a series of mainly secret discussions among top-level businessmen and politicians from both countries. The most important of these was an official visit to New Zealand in





October 1978 by a high-powered delegation under the leadership of West German President Scheel. It included the Federal Minister of Economics, the State Secretary of the Foreign Office, Office, and representatives from the Federation of Industries, the Farmers' Association, and the Trade Union Confederation. An important meeting with New Zealand Ministers took place at Rotorua, and because the minutes were leaked, we know a great deal about what is being planned. Since these leaked minutes are referred to extensively throughout the booklet, it is sufficient to note here that the New Zealand delegates were very keen to hock off the country's energy and resources and that the West Germans showed considerable interest in obliging them.

Then in March 1979, the fruits of four years' planning appeared in the visit of another high-powered delegation from West Germany representing the biggest of that country's big business, finance, and banking. The delegation was led by Dr H. G. Sohl, honorary President of the Federation of German Industries and chairman of the board of Thyssen Ltd., the steel, shipping, and mining giant. Dr Sohl was also a member of the October 1978 delegation. Businesses represented in March 1979 included the following:

- MM Warburg-Brinkmann Wirtz (private bank and lender to the N.Z. government)
- Alliance Insurance (the largest in the F.R.G.)
- Energy & Applied Technology Co. (steam generators and coal grinding plants)
- Kloekner & Co. (heavy machinery, earth-moving, and trucks)
- United Kessel Works Ltd. (equipment for steel and pulp mills)
- Bankhaus H. Lampe (private bank)
- Iron, Sheetmetal and Metal Processing Industry Association (Dusseldorf)
- Commerzbank (the F.R.G.'s third largest and "holder of N.Z.'s overdraft")
- Cass International (equipment for power plants)
- Schulden & Ramsdorf (mechanical spinning)
- BP Germany
- Villeroy & Boch (ceramics)
- Air Tours International (tourism)
- Australian-European Finance Corporation (second largest in F.R.G., closely tied to the Dresdner Bank)

The New Zealand government sent its first official delegation to the F.R.G. in October 1979, and full details are provided in the booklet. On other fronts, developments have more than kept pace. The F.R.G. is in the process of establishing a presence in Antarctica, using New Zealand as a base. The chairman of the board of Bayer AG and the board member responsible for Australasia visited New Zealand in January 1980 to look at the paper industry and Maui and Kapuni gas development. Bayer AG, a chemical multinational, is the fifth largest industrial company in West Germany, and it has expressed an interest in entering the petrochemical industry in New Zealand as soon as bulk chemicals become available. In an act of supreme irony, the German firm that built the "Bismarck" put in a bid to build the New Zealand navy's new frigate. Mr Muldoon and his ministers have been frequent visitors to West Germany, while back home local politicians have been doing their bit: in August 1979, Christchurch's mayor, Mr H. G. Hay, made an offer of free land to West German multinationals as an inducement to invest, but the plan ran into such strong opposition that it quickly died.

The most recent development has been the February 1980 announcement by Ceramco Ltd., the Auckland-based group, of a scheme to set up a silicon carbide plant on one of five possible South Island sites on a 50-50 basis with an unnamed West German firm. The industry could cost up to \$36 million to establish, but it will employ only 80-100 workers, most of its 50,000 tonne annual production being for export to Japan. In April 1980 a representative from the West German firm visited two areas in the South Island to compile a feasibility study, which he said rested heavily on "power supply and price problems." It was also reported that should the project go ahead, other industries from the same West German source, which was engaged in a wide variety of fields, could be established. No wonder the government has put a hush on the visit and required the name of the representative and his company "to remain anonymous." When Ceramco's managing director, Mr T. E. Clark, was asked whether the firm would be requesting "fast track" treatment under the National Development Bill, he obliquely replied that it was essential "that everybody gets their heads together to make sure it will happen."

POLITICAL AND MILITARY PREPARATIONS

In order to protect their investments, multinational corporations always get their governments to make political and military arrangements with local collaborators. Never lagging behind on such matters, already in 1977 Mr Muldoon was found actively inciting the West German government to get involved in the South Pacific to counterbalance a real or imagined Soviet threat in the area. Not long after this the F.R.G. built two self-sustaining, roll-on lift-off, container vessels for the Pacific Forum Line as part of its "aid programme" for the Line's shareholders, the governments of Western Samoa and Tonga. The F.R.G. has also agreed to consult with the New Zealand government on German "development aid" for these two countries. Other political preparations have to do with the E.E.C. For instance, the New Zealand Shipping Corporation recently had a ship built in West Germany even though it could have been done cheaper elsewhere, because, in the words of Mr R. A. Owens (of the Owens Group Ltd, which is certainly no enemy of foreign control), "I gather it was because we could sell sheep meat to the Germans or get their support in the Common Market."

On the military side, the West German government has also been making the necessary arrangements to protect the multinationals' growing overseas investments. In April 1980 it was reported that a four-ship naval force will be sent into the Indian Ocean for the first time. About the same time, in a small article tucked away obscurely in the Christchurch Press (17 March 1980), we were told that the West German Defence Minister, Dr Hans Apel,* would visit New Zealand as part of a tour of Asian and Pacific countries. He has met the



* more importantly, a former and probable future finance minister.

Prime Minister, the Minister of Foreign Affairs, and had discussions with the Minister of Defence and the Defence Council. If investment from West Germany is supposed, as local collaborators insist, to be so beneficial to New Zealand, why do preparations have to be shrouded in secrecy and include arrangements between the West German and New Zealand armed forces?

The whole penetration of the West German state and private business into New Zealand provides a classic case study of the economic takeover of New Zealand, the subversion of political independence to suit the interests of the multinationals, the crushing burden of foreign debt, and the robbery of our people and resources for the profits of international big business and its New Zealand partners. It has happened before with British, American, Australian, and Japanese corporations. However, this time we can see the whole thing happening and have written this booklet in an attempt to help stop something before it has gone too far, or

at least inform the New Zealand people beforehand. Although our main focus is on West Germany, our aim is to arrest the whole "new wave" of foreign investment the government is so determined to encourage. For this reason, some chapters only mention the F.R.G. in passing, but provide details on the kinds of resources German and other multinationals have expressed an interest in exploiting.

The imminent peacetime "blitzkrieg" can only offer the New Zealand people more of the same rising unemployment, rising prices, falling living standards, a loss of control over resources, and growing political oppression. The whole field of foreign control must be understood for what it is: a con and a ripoff, an enslaver of peoples, and a ruining of our country. It must be thoroughly and wholeheartedly resisted. Focussing as it does on West Germany, which is just one example among many onslaughts, this booklet is aimed at helping in that fight.



UNDERSEA MINING, THE FEDERAL REPUBLIC OF GERMANY AND OUR EXCLUSIVE ECONOMIC ZONE.

A. THE OCEAN-BED: SLEEP NO LONGER?

The Development of Seafloor Mining

For many years now marine scientists have known that parts of the Earth's seabed have been littered with large quantities of "nodules". Pellets varying in size from a few to several hundred centimetres, and rich in minerals such as manganese, copper, nickel and cobalt. As in the case of Antarctica, what once seemed a remote object of purely scientific interest has become a prime target for commercial exploitation.

From the 1960s, consortia of most of the world's major mining companies began to study the problems of lifting the nodules from the seafloor. Three possible techniques were mooted: continuous-line bucket dredging; hydraulic techniques, comprising suction and airlift dredging; and recovery by remote-controlled, free ranging vehicles on the seafloor. Model testing and sea trials by huge companies such as Kennecott Exploration Inc., pointed to hydraulic techniques as the most practical. Apart from solving the engineering difficulties of the recovery process, Kennecott made the key breakthrough. They discovered a catalytic reaction that would allow the valuable metals to be extracted from the slurry of seawater and minerals slightly higher than normal temperatures and pressures.

In March 1978 the theory came a step closer to reality when the German ship *Sedco 445* succeeded in bring a steady flow of manganese nodules to the surface. In December 1978 the *Deepsea Miner IIX* of Ocean Mining Associates was raising 50 tonnes an hour from a depth of over 5000 metres. Extensive exploration and seabed mappings of the Pacific and sub-Antarctic waters has meant that Mr J. Halkyard, director of Kennecott's Ocean Mining Laboratory, has been able to state quite definitely that resources exist in sufficient quantity and high grade quality to support mining operations for hundreds of years.

Exploration of the Chatham Rise

The Bonn government, in 1970, became so convinced of the importance of seabed mining that it had the 1145 tonne trawler *Vikingbank* converted into a raw materials research vessel, renamed the *Valdivia*. In October-November 1978 this vessel undertook a joint survey on behalf of the NZ and German governments of the phosphorite deposits on the so-called "Chatham Rise" several hundred miles east of NZ, but within the Exclusive Economic Zone (EEZ). The research team was led by Dr D. Cullen of NZ's Oceanographic Institute.

Underwater photography revealed that in the small sector surveyed (227 square kilometres) there existed at least 14 million tonnes of the mineral phosphorite, but more probably about 20 million tonnes, lying at a depth of just 400 metres. Calculations which include all the central portions of the Rise where phosphorite is known to occur give a conservative estimate of 100 million tonnes of phosphorite in this find.

The importance of this deposit is that phosphorite plays an

important part in NZ's agriculture, being used in large quantities as a direct-application fertiliser. Each year an average of a million tonnes of rock phosphate is imported at a cost of about \$60 million. The supplies came mainly from Nauru and Ocean Island in the West Pacific and Christmas Island in the eastern Indian Ocean.

These traditional sources are now close to exhaustion. The most extensive deposits left in the world are found in Africa, lying in a belt from Morocco to Israel and Jordan. In 1973 the Moroccan government suddenly doubled the price of its phosphorite. Other deposits are to be found in Florida, Peru and Mexico, but they will be selling on an open world market. It may no longer be available at the rock bottom prices of the past.

The deposit off the Chathams is not large compared to that in the Moroccan or Peruvian fields. However it would meet the needs of NZ farmers for the next few decades. The consortia who have developed these recovery techniques have obviously been secretive about their costs. However, from figures released in 1967, it seems that NZ farmers would have paid at that time an average of \$8 for each tonne mined and landed. Even if one allows for inflationary rises over the 13 year period, the resulting cost would still be only a fraction of the \$60 per tonne now paid for imported phosphate.

URANIUM

The uranium content of the Chatham Rise phosphorite seems relatively high. With fierce competition among monopolies for control of any uranium sources, ore containing 100-170 parts per million (ppm) of uranium oxide or more is acceptable for industrial exploitation. In fact a method presently being used in Florida is processing phosphorites containing under 100ppm of uranium. Although the uranium content of the phosphorites in the Chatham Rise is variable, the commonest nodules (16-32mm) have a count of 140-165ppm of uranium oxide, but values of up to 435 are not uncommon.

In the 1980s uranium is expected to be selling for about \$45 a kilogram. This would give the uranium deposits in the Chatham Rise a market value of about \$2000 million. Despite intense opposition, West Germany is already more committed to existing nuclear plants than any other European government. Relatively cheap and assured supplies of uranium would be a great boon to the German nuclear programme. The NZ Government, in fact, has already invited the FRG company, Uranerzbergbau, to take part in a prospective uranium venture.

West German Involvement

The FRG government has intensified its investment in seabed mining since 1970. It has subsidised private firms up to 60% of their costs, and the *Valdivia* has also been joined on extensive costs, and the *Valdivia* has also been joined on extensive exploration trips by the *Sonne*, the vessel owned by Ocean Management Inc. One of the six world consortia active at present, this enterprise was established in February 1975 with an equity capital of \$45 million. It is

jointly owned by Canadian, Japanese, American and German companies. The three German partners who hold 25% of the stock are: Metallgesellschaft AG, Preussag AG and Salzgitter AG.

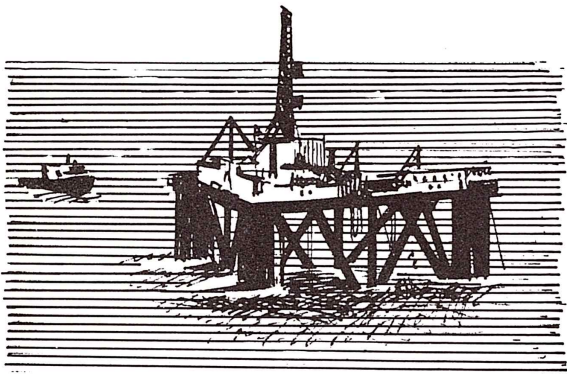
What do such German firms stand to gain from joint operations with NZ business?

From their point of view the phosphorite deposit is an excellent investment. NZ farming provides a large adjacent market and the NZ governments present attitude will mean guaranteed profits. The uranium is not as valuable and not likely to generate the same total profit, but again, a ready market exists in the German nuclear industry. They will want to gain control of uranium deposits to have some control over the price of their fuel.

However, Muldoon's government wouldn't give concessions unless they could make some capital gain in the short term.

Overcoming the Legal Problems

Although the technology to extract undersea minerals is almost at production efficiency, major hurdles still remain. To set up a full production model, including a mining ship, transporter, and extraction plant will cost in the region of \$150-200 million. As Kennecott's Mr Halkyard explains however, the consortia will not risk doing so while "an unstable investment climate prevails". In plain language that means that firms like Kennecott will not go ahead while their profits could be taken from them by political action.



The political debate over seabed resources has been a major cause of the deadlock of the last United Nations Conference on the Law of the Sea (UNCLOS) in 1975. The governments of newly independent nations were eager to defend what they saw as their one remaining chance for real prosperity (after the despoilation of many of their land resources under colonial regimes). Many of them have already declared their own EEZs.

Agreement has been reached to set up an International Seabed Authority (ISA). Before it can be established, there is a real battle to be fought over the issues of membership, access to the ISA, mining regulations, setting of prices, etc. Therefore it is not expected, that such a body could be set up till 1983, at the earliest.

In the meantime however members of the international consortia are pressing hard for their own home governments to pass legislation allowing such ventures, even before the UN has considered the issue. Such legislation is at present being put forward in the UK and the US. Naturally it would be of great advantage to the consortia involved to be already creating their own conditions on the spot, before UNCLOS can bring any real pressure to bear in these areas. In fact, in the negotiations between the NZ Government and the FRG official trade delegation in October 1978, the Germans not only urged the Government to set up mining operations "on a transitional basis" before the next Law of the Sea Conference, but also to exhort Governments of Pacific neighbours to take similar steps to ensure that "access to raw materials . . . (is) . . . kept open to all interested parties". (Meaning themselves of course!)

Certainly the NZ Government seems to be smoothing the road to unimpeded German investment. Likewise the value and importance of the phosphorite deposits would seem to make them a prime candidate to be considered under the provisions of the National Development Act. So, uranium could be exported without right of objection.



B. THE FRG AND ANTARCTICA

The Background

In the struggle between giant monopolies for control resources, particularly fossil fuels, the vast continent of Antarctica is beginning to exert an ever stronger pull. Twice the size of Australia, with a land area as large as China, Argentina, France, Nigeria and NZ combined, it has already shown clear signs of great mineral wealth.

The US Geological Survey of 1973 conservatively estimated the recoverable oil reserves of the Ross, Weddell and Bellingshausen seas to be fifteen billion barrels of oil. Further tests have found the widely sought after metals nickel, cobalt, platinum, manganese, copper and iron.

In 1961 twelve of the countries originally involved in Antarctic research signed a treaty setting aside this area for scientific research. The signatories agreed to forego all territorial claims for thirty years, to forbid all arms, weapons testing or nuclear dumping, and freely to share their scientific discoveries: at a time of growing Soviet American tension it was remarkable that even these could join the ten others in agreeing that the Antarctic should be used "exclusively for peaceful purposes and shall not become the scene or object of international discord".

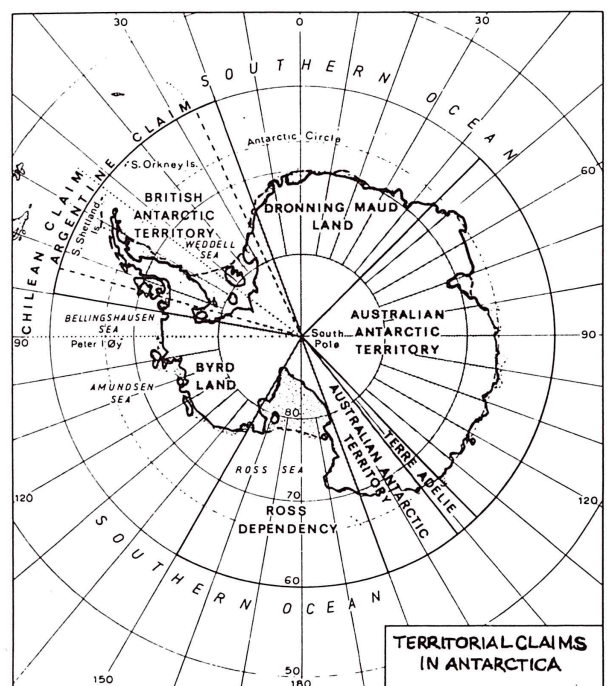
Noble as this gesture was, it failed to resolve many of the points of international law in dispute in this area. Six of the states chose to persist in claiming territorial rights over certain sectors of land; others such as the US and the Soviet Union not only waived such claims but also refused to recognise the legitimacy of any others. Despite arguments about historical links or physical proximity, it seems that the only valid case for possession in international law is continuous and effective occupation of a piece of land. No state therefore has any watertight case to special rights over any part of the continent. Given precedents from the northern hemisphere, the best that could be argued is that states could claim proprietary rights over that part of the coastline on which their bases have been situated and the hinterland for a few hundred miles inland — but this would entitle them to any exclusive rights to huge portions of the continent's interior.

Since the Antarctic Treaty was signed, important political and technological changes have transformed the Antarctic from a remote scientific curiosity to a potential new Africa, ripe for plunder.

Intensified competition among large international monopolies for control over sources of raw materials has led to a world-wide search for new sources, including heightened interest in Antarctica.

As a result of this pressure many of the twelve signatories have changed their attitude towards the Antarctic. Despite agreements to converse flora and fauna (1964), seals (1972), and a planned convention of fish and krill conservation, a subtle but definite change has overtaken the future envisaged for this last refuge of wilderness.

The first indication of these attitudes comes in the tightly exclusive nature of the signatories' "club". Despite its very tenuous



basis in international law, the group has been quick to rebuff non-aligned suggestions for an international commission, and an offer from the Food and Agriculture Organisation (FAO) to help in fisheries management. It has stuck firmly to its resolution to allow full consultative membership to a new state only during . . . "such time as it . . . demonstrates its interest in Antarctica by conducting substantial scientific research activity there." In fact it was not until 1977 that a new member, Poland, was admitted.

During the 1960s and into the 1970s the NZ Government was a strong supporter of the concept that this territory should be used solely for scientific purposes. In 1975 it even brought forward a proposal that Antarctica and its surrounding waters should become the world's first international park, hence protecting it from exploitation. This resolution somehow died a quiet death behind the closed doors of the conference and instead the American government issued a statement declaring that in the light of continued lack of clear ownership status in the area it "would surely have to assert its right to commence mineral resource activities at its will, subject only to applicable provisions of the Antarctic Treaty."

Over the last 10 years the type of project initiated by the major Antarctic states has clearly changed from the purely research ventures of the 1958 International Geophysical Year to much more practical explorations of resources and their possible exploitation. Good instances of this are (i) the 10½ year exploration by the USNS *Eltanin* which charted concentrations of manganese nodules lying off the Antarctic continental shelf; (ii) the millions of dollars spent by the *Glomar Challenge* to get a few samples from the Ross Shelf, (samples containing traces of the ethane and methane that reveal extensive hydrocarbon reserves); (iii) the krill fishing at present being carried out experimentally or commercially by Russian, Japanese, Chilean, Polish and German vessels. Recently the Soviet Union estimated that there are 800-5,000 million metric tons of krill in Antarctic waters, of which, it predicted, 100-150 million metric tons could safely be taken annually. At present the entire annual catch of the world's fishing fleets is just 70 million metric tons. In the last two gatherings of treaty nations, the NZ Government has also reversed its former stance and now supports "a controlled use" of the Antarctic's natural resources.

The Emergence of West Germany

German exploration in the deep south has a long history, including explorers such as Bellinghausen and Filchner whose names are now part of the Antarctic map. The expedition of the *Schwaben-land* and two flying boats in 1938-39 is probably one of the most thorough topographical studies ever done on the continent. However it has been 40 years since any German involvement in Antarctic research. What could have prompted such renewed interest by this economic giant of Western Europe?

In the October 1978 top-level meeting between NZ Government representatives and members of the German trade delegation, the deputy Minister of Finance, Mr H. Templeton, tried to attract

FRG investment by stressing the resources of NZ's EEZ. Among these he laid emphasis on fishing, and added that exploration could also reach out into southern waters surrounding the Antarctic.

The first joint venture between FRG and NZ businesses has been the operation of the fishing trawler *Wesermunde* from Bluff, fishing these very sub-Antarctic waters.

Whatever is attracting the Germans to Antarctica must be of considerable significance. In January 1979 the FRG became a member of the Treaty group, accepted unanimously by all the other states. In the last Antarctic season (1979-80) it sent its first team to North Victoria Land, to continue the geological research begun by NZ parties. The group comprised 12 Germans, 6 New Zealanders, an American and an Australian, and it was led by a scientist from the newly established Antarctic division of the Federal Institute of Geoscience in Hanover. The Germans spent a month training in ice conditions, at Mt Cook, with DSIR instructors.

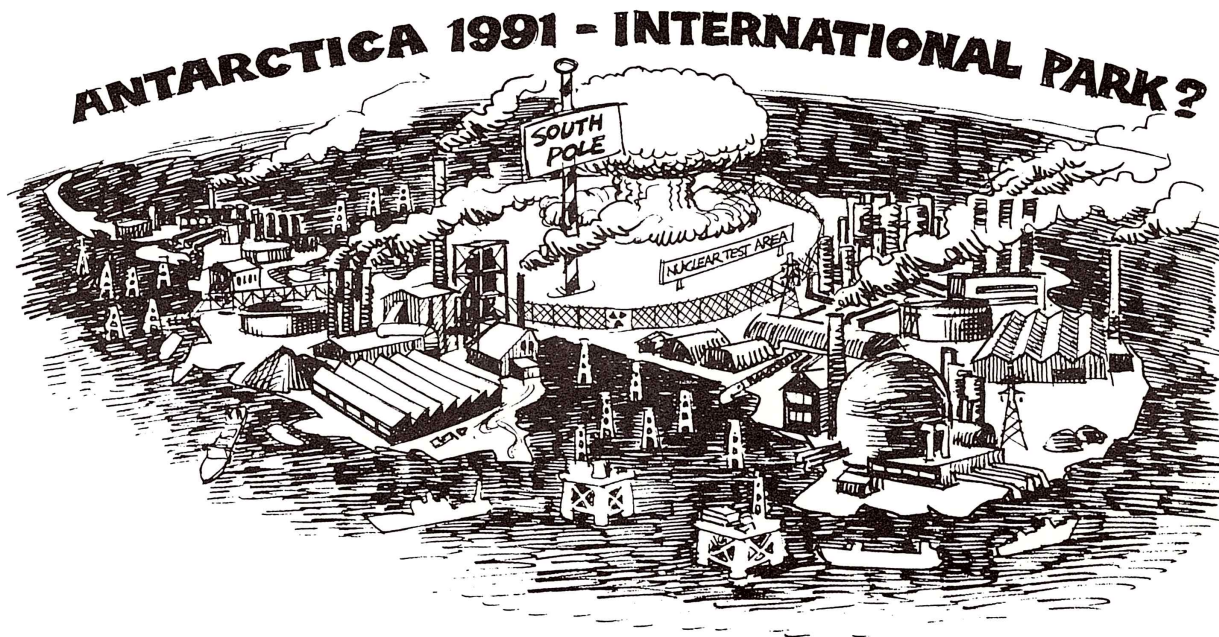
The party was supported by a ship, the *Schepelsturm*, with a crew of 17, which used Timaru as a base. A second party to the Weddell Sea left Ushuaia, Argentina, in late December 1979 to find a site to set up a permanent base on the Filchner Ice Shelf. The FRG Government has already committed itself to the international study project (Biological Investigation of Marine Antarctic Systems and Stocks-BIOMASS) for 1981-82. This programme is to centre on the krill resources of the southern seas. In its first season, the FRG Government has already poured \$100 million into its efforts. Why?

The New Zealand Government's Step Backwards

Although NZ has been a frequent stopping off point for polar expeditions its direct links with the Antarctic have been fairly recent. It is true that a British Order in Council entrusted the Ross Dependency to the NZ Government in 1923. However, it is hard to take this claim seriously, since it was only in 1955 that private organisations finally convinced the Government to become involved in research activities. New Zealanders took part in the British Trans Antarctic Expedition of 1956, and the International Geophysical Year which followed it. Nevertheless the Government has earned a recognised place in research upon the continent, partly because of NZ's proximity, but particularly because of the large number of experts in various fields of research that it has built up over 20 years of summer expeditions.

However, as other governments step up their participation NZ's programme stagnates. The BIOMASS programme of 1980-90 is to be the largest coordinated exercise yet mounted. All major states are contributing a ship as well as personnel, NZ scientists will work alongside of the Americans, Japanese and Germans, but the Government has no ship capable of polar research. The Government has actually cut the budget for Antarctic research, now down to below \$1 million.

Paradoxically it seems that the Ross Sea area, which NZ's Gov-



ernment has insisted on as somehow "belonging" to it, but which it may be conceding by default, may contain the most valuable resources of Antarctica, 95% of the continent is covered by enormous ice-shelves between 1800-2500 metres deep. The 400,000 plus square kilometres of land in the Ross Dependency is the greatest ice free area on the continent. And it is precisely here that drilling has confirmed petroleum deposits that could be 70 times the size of the Maui field, or the same size as those in Iran. However such a field would cost \$10,000 million to develop—clearly beyond the capacity of NZ Government and business. Yet the technology to exploit it does exist—and is feasible even in this harsh environment, as recent drilling programmes have shown.

Is this perhaps where the FRG Government with no oil resources of its own, may turn its eyes for the energy it needs so much, especially as the nuclear alternative favoured by Chancellor Schmidt becomes politically more and more contentious? Will the NZ Government be able to sell our "excess" energy to the FRG to refine crude oil or to refine ores here in NZ, before shipping them back to Europe? Is the Government hoping in this way to help to pay the more than \$800 million it and NZ companies owe FRG financial institutions? These may just be speculations, but in the Government's frantic search to find overseas buyers to whom to sell our prime assets, they may not be empty ones.

C. WEST GERMANY AND NEW ZEALAND'S EXCLUSIVE ECONOMIC ZONE (EEZ).

The Background

On April 1, 1978 the NZ Government declared the existence of NZ's EEZ. This meant that it asserted rights over all resources to be found within a 200 mile radius of NZ and its offshore islands (such as the Chathams and Campbell Island), and the right to apportion any excess resources to other states, as it saw fit. The greatest effect of this step is still to be felt by the NZ fishing industry.

The potential of NZ's waters is great but is still largely undetermined. It's EEZ is the fourth largest in the world and has not yet suffered the depletion that has occurred in the North Sea or the South China Sea. Europe is importing large quantities of fish and could easily absorb the entire catch.

In deciding how to utilise this asset the Government was faced with three diverse directions. It could opt for an entirely NZ owned and based fishing industry. The second option was joint schemes between NZ and foreign companies, largely using their vessels from an NZ base. Finally the Government could license foreign vessels to fish in our waters, setting annual quotas of the different varieties of fish they could catch.

An important distinction that must be noted is between inshore and offshore fishing. The former takes place on or near the 200 metre shelf and includes most of the favoured species: lobster, shellfish, finfish such as snapper and tarakihi, and squid. Offshore fishing takes place outside the 500 metre depth contour, and though it includes some squid and bluefish tuna, mainly the less preferred species of fish are caught.

Foreign Involvement in NZ's EEZ

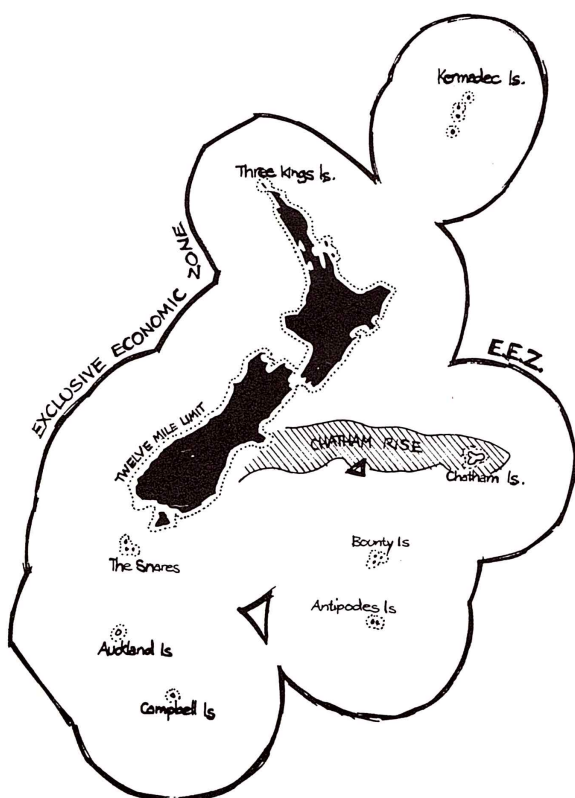
The Government's decision has been to expand in all three areas: encouraging NZ fishery firms to expand, framing legislation to promote joint ventures, and licensing a number of foreign vessels: Japanese, Korean, Taiwanese—to fish in the EEZ. In many ways this threefold expansion has left the NZ fishing industry with a more unsettled and precarious future.

In 1976 Japan began to stockpile fish in anticipation of being excluded from traditional fishing grounds, following many declarations of EEZs a measure that had just been agreed upon by the third United Nations Conference on the Law of the Sea (UNCLOS). As a result of this stockpiling, fish prices rose and many NZ firms were encouraged (with Government backing) to expand their operations.

However, over the last few years Japan has begun to release these stocks with a consequent drop in prices. During this period the NZ fishing industry was facing frozen prices on its home markets and severe disadvantages compared to its foreign competitors. Huge increases in fuel prices (340% from 1974-77) were made worse for the local industry which in May 1979 was paying 15.79 cents per litre, compared to the 11.5 cents paid by joint venture and foreign boats.

The NZ fishing industry already pays very high freight rates to get its catch to foreign markets. When it does get them to Europe or the US, it faces import duties and quotas. Meanwhile here at home duty-free canned fish is being imported into NZ, so, in effect, foreign vessels fishing our waters could be using our own fish to undersell the NZ fishing industry not only world but even on the domestic market.

Another great advantage foreign fishing fleets have is that they are virtually floating factories, able to process their catch at sea. Since they do not have to conform to the existing Fishing Act with regard to wage rates, manning awards, health and accommodation standards, they can process fish at far cheaper rates than would be possible here in NZ. Or alternatively, like the American super-seiners they can take their catches back to their Pacific Island bases to be canned by labour working for an average dollar a day wage.



Position of Chatham Rise

Another major worry of the NZ fishing industry is the many ways that foreign vessels are able to circumvent NZ fishing laws, and the few enforcement vessels the Government has to police them. Already several foreign licensed vessels have been arrested for intruding within the 12 mile limit and local skippers will attest to the numerous others who do not get caught. The American super-seiners with their high speeds are easily able to creep up to within the limit, where tuna tend to congregate, and zoom out just as quickly. Illegal nets are another constant worry. In April 1979 a Lyttelton vessel picked up a giant 90 metre trawl net with a mesh of barely 3 centimetres, less than half the legal size in this country. It also contained plastic inserts which ensure that no fish (once snared in the net) whatever its size, can escape. The modern sonar detectors on the net were the sort used by large Japanese vessels to mark the size of their catch.

Perhaps the greatest fear for NZ's long term fishing prospects is that its resources are being rapidly depleted with comparatively small financial benefit to NZ as a whole.

The late Dr D. Egglestone, one of the three members of the team that planned the management of the EEZ plumped for a cautious approach in view of the collapse of fisheries all over the world and the uncertainty of what level of harvesting NZ stocks could stand. Yet he admitted that the Government was sailing into major decisions full speed ahead.

It is true that each year the Government estimates the quota of fish that it believes NZ's fish resources can sustain, but this Total Allowable Catch (TAC) is not made public. One reason is perhaps that no comprehensive survey of fishery resources has never been completed, so that the quota is based on catches landed before the EEZ was declared.

This system has a number of major loopholes. Four cooperative ventures approved before the EEZ was declared have unlimited power to increase their fleet and catch so making a mockery of the quota system. Licences granted to NZ boats have jumped from 400 to 1400 since 1976. If one then adds the 140 boats working in the 28 joint ventures so far approved to the 300 licensed foreign vessels it is no cause for surprise that local fishermen are finding that favoured species are more and more difficult to catch, are being forced to range further to fish for less favoured varieties. Numbers of smaller boats have been forced out of business. Yet in 1979 fishing allocations for foreign boats rose by another 10,000 tonnes.

Just how much is the Government and NZ companies profiting

from this rapid depletion of NZ's fish stocks? In the 1978-79 financial year, joint ventures were expected to earn a nett export return of about \$12 million—not all of which will remain in NZ. Foreign governments paid \$9.4 million to fish in NZ waters. When one deducts the \$6 million it cost the Government to police the zone, it is probably a generous estimate that \$10 million was made from the sale of our fishing rights. The 160,000 tonnes of fish caught by Japan, Korea and the Soviet Union in this time has a market value of \$300 million. The NZ Government has sold \$300 million of fish for \$10 million — another economic miracle?

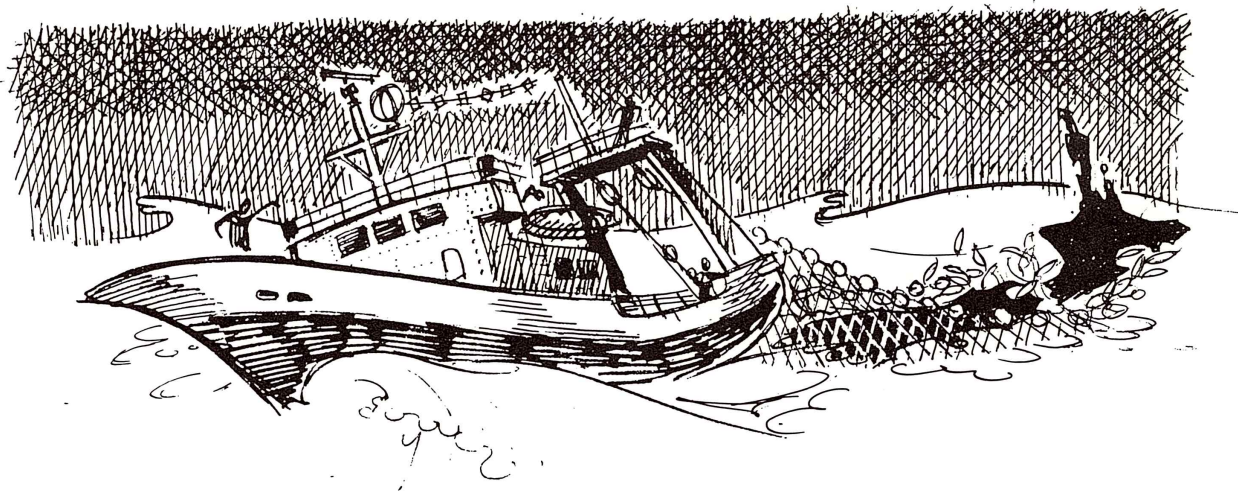
To learn the consequences of foreign domination of an indigenous fishing industry one need look no further than the Pacific Islands, particularly to their participation in Japanese and American fishing ventures.

A typical example is the Pacific Fishing Company Ltd's (PAFCO) operation in Levuka, Fiji. 70% of this operation is owned by two Japanese companies. Of the high quality tuna caught by PAFCO, 98% goes to the luxury markets of the US and the UK. The value of these exports is \$10-15 million annually. However the local population relies heavily on canned mackerel imported—strangely enough!—from Japan. The cost of this mackerel has been slowly increasing to the point where it is almost as expensive as the tuna itself.

All over the Pacific, Governments such as those of Japan, America and the Soviet Union are vying to give assistance, including the building of canneries, to newly independent island states. This assistance has enabled local fishermen to fish their inshore waters far more efficiently than ever before—something vital to these islands where food production is being stretched by rapidly expanding populations. However when these people come to fish their once teeming offshore waters they may find them empty, stripped to create profits for giant multinationals. In each of the last three years fresh fish worth \$250 million has been taken from Central and South Pacific waters. Of this catch less than 10% has been for the benefit of the Pacific Forum states themselves.

The question must be asked—is NZ's EEZ for the benefit of the NZ people, or multinationals, and their local partners, aided by the Government?

The growing threat to the NZ Fishing Industry by foreign penetration makes it harder than ever to reorganise the NZ fishing industry to allow greater involvement of small boat fishermen and achieve social control over NZ Government fishing resources.



THE "WESERMUNDE" JOINT VENTURE: THE SHAPE OF THINGS TO COME.

THE SHIP

A look at the deep sea fishing venture involving the FRG factory ship *Wesermunde* shows some important features of these new big joint ventures with foreign capital. It shows just who in N.Z. promotes such schemes (local big business which gets a stake in the deals), how the Government (meaning Parliament and other State bodies) goes out of its way to assist, and how the real victims are the working people.

The *Wesermunde* is a 3500 tonne Karlsburg class trawler worth about \$20 million, one of the most sophisticated in the world. The entire ship can be run from the bridge, and from the "hunting seat" the skipper controls the whole work of catching fish. He has immediate control of the speed, navigation and fish-finders (equipment which locates the depth and position of fish, water temperature and therefore the type of fish). And with shipwide communication he need never leave the bridge.

The trawler boasts stellite navigation, three types of radar ranging to 72 miles, an echo sounder, and a nine beam underwater sonar. Two TV screens monitor areas hidden from view of the bridge. It is able to fish in winds up to Force 10 (52 knots over a 10 minute period). It not only catches fish to a depth of 1500 metres, but processes and packs it, producing fillets, fish meal and oil, all on board. In a year it can catch 12-15,000 tonnes of fish, its freezer holding 900 tonnes.

The *Wesermunde* is the first FRG vessel to be involved in a joint venture with NZ companies. It is perfectly equipped to explore the fish-rich waters of the sub-Antarctic. Traditional grounds in the North Sea have been severely depleted, so, that from 1975-77 the value of tuna and skipjack exports, the fleet's main catch, dropped from \$9.2 million to \$2.6 million. The search for the new resources has also led to the FRG government spending \$5 million on krill research alone, as part of its first season's Antarctic programme. An FRG vessel using sophisticated echo-sounders to spot swarms of krill recently achieved an amazing catch of 35 tons in 8 minutes; krill measure 4-5 centimetres and would weight a few grams at most.

THE SCHEME

On September 28th, 1978, the then Minister of Fisheries, Mr J. Bolger, confirmed that a joint fishing venture based at Bluff, involving two NZ companies and one FRG one, was to go ahead. This announcement concluded a year of planning, preparation and negotiation. The *Wesermunde* was to fish the southern shelf of NZ inside the Exclusive Economic Zone (EEZ) around the Auckland Islands—mainly for hoki, whiting and squid. Five trips of 55 days away each were planned for the crew of 62. (of whom, only 2 were New Zealanders, although this was disputed by the NZ Seamen's Union).

A late 1979 letter from business and fisheries consultant, Mr J. S. Campbell, on behalf of Mr R. C. MacDonald, deals with the employment of New Zealanders. "This type of deep water trawling is a specialised type of fishing, using gear and equipment which is not currently in use in the N.Z. fishing industry. It has been necessary therefore for a trained German crew to operate the vessel, although a number of New Zealanders have been taken on board the vessel for training and more will be taken on if she remains in NZ beyond the first experimental year. While it will take time to crew a vessel of this size and type solely with New Zealanders, it will ultimately provide at-sea employment of a nature which is not available in the present NZ fishing industry. If the project can go ahead and expand, it will also have an enlarged shore employment, and already arrangements are being made for a participation in a fish packing house project at Bluff in partnership with a local fisheries cooperative . . ."

The partners in the scheme are Southland Frozen Meat and RC MacDonald Ltd. from NZ, and Hanseatische Hockseefischerei AG from the FRG. A company called High Seas Fisheries was registered in Wellington, with the two NZ partners holding 51% of the capital and the FRG one 49%. This company chartered from its FRG partner the factory trawler *Wesermunde* for "a year of research and exploration

combined with commercial fishing".

Once again, a quote from Mr J. S. Campbell's letter. " . . .

For the first year of its operations the *Wesermunde* has been engaged on fisheries research and commercial fishing in equal proportions. During the research phase the work of the scientists has been equally shared between FRG and NZ scientists. The former are drawn from the different disciplines at the German Fisheries Research Institute at Hamburg, and the latter from the Fisheries Research Division of the Ministry of Agriculture and Fisheries.

The FRG Government has provided the services of the scientists and their travel and living costs at a figure not less than \$1 million. In addition to this, the FRG Government has provided a loan of \$3 million to High Seas Fisheries Ltd, on a deferred repayment basis which will depend upon the continuation of the project. The NZ Government has not provided any subsidy for this research programme and the project is carrying the NZ scientists at no charge . . ."

THE PARTNERS

High Seas Fisheries (NZ) has a nominal capital of \$250,000, with 250,000 \$1 shares split 3 ways. The FRG company has 122,500, the two NZ ones have 63,750 each. There is one German director, Mr R. H. Koch of Bremerhaven, FRG; the rest are New Zealanders. They are: Messrs R. C. MacDonald, chairman (Wellington), D. R. Brown (Auckland), R. L. Harrison (Wellington), R. A. Cushen (Invercargill—the general manager of Southland Frozen Meat); D. F. B. Stevenson (Invercargill—a director of SFM), and the secretary is Mr K. D. Connel (Invercargill—also SFM's secretary). The occupations of each fall into 3 categories: company manager, company director or solicitor. There is provision for up to 10 directors. Any shareholder holding 20% or more is entitled to appoint up to 2 directors.

Hanseatische Hockseefischerei AG is the second largest fishing firm in the FRG.

R. C. MacDonald Ltd has become a prominent company in joint ventures with foreign capital, most recently with a \$110 million ferrosilicon plant at Bluff. MacDonald himself is international president of the Pacific Basin Economic Council (PBEC). For example, he organised PBEC's annual conference in Christchurch in 1977. He is also listed as a director of NZ Industrial Gas, Ivon Watkins Dow, Niven Industries, Michaelis Bayley, and is a past president of the Wellington Chamber of Commerce.

Southland Frozen Meat is a meat export monopoly with a finger in other pies, owning two major freezing workers and nine other subsidiaries. It had a 1979 profit of \$4 million (including a \$430,000 tax credit). Its board includes Mr J. B. Gordon, the former National Government Minister of Labour. The chairman, Mr A. F. Gilkison, stated at the announcement of the joint venture:

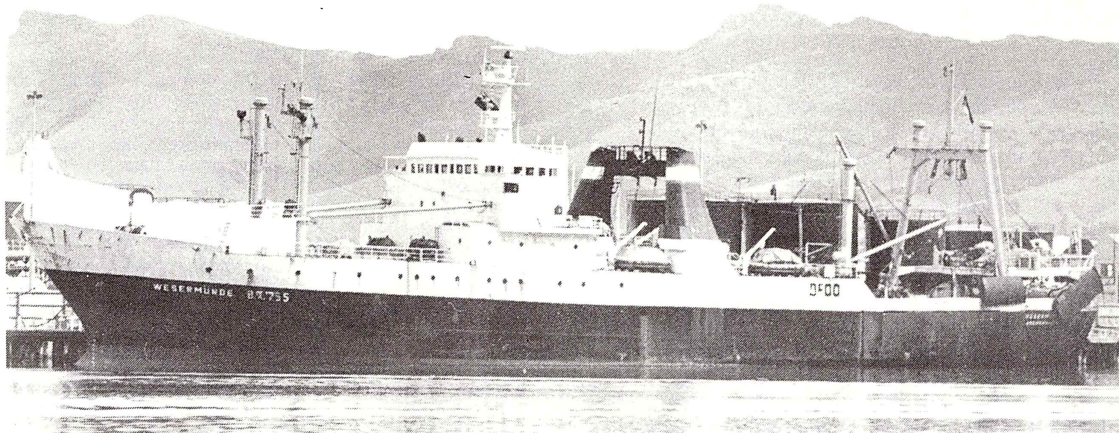
"For almost 100 years, Southland Frozen Meat has relied on the productivity of the land. With the introduction of the 200 mile fishing zone, the economic significance to a province such as Southland becomes very obvious. A partnership between overseas experience and local expertise and facilities should mean that we can develop the sea resource in a responsible way, and to the advantage of all."

As events would show, the partnership brought no advantages to the workers of Southland or NZ — in fact, just the opposite.

THE DISPUTE

In March 1979, the *Wesermunde* hit NZ headlines when it came to Bluff to unload its first catch. A dispute broke out as to who should unload it. Watersiders claimed the right to unload packed and processed fish at their normal wharves, as was guaranteed to them in legal agreements, while High Seas Fisheries demanded that the crew and food processors do it. The ship was held up for some days and sailed out for more fishing before the dispute was resolved. Threats were made to fold up the venture. Employers, the media, the Fishing Industry Board, local fishermen and farmers all attacked the wharfies, but, standing firm, the watersiders won the right to unload the *Wesermunde* for the time being, with agreed manning scales.

However, the issue was far from resolved. The law did not suit the employers, so it had to be changed. It was. The Fish-



"Wesermunde" at Lyttelton (Press, 10.3.79)

ing Industry (Union Coverage) Act was drafted and passed to exclude existing unions from any fishing operation. It is interesting here to look at the role of the Fishing Industry Board.

This body was set up by Act of Parliament in 1964 to advise the Government on matters relating to fisheries development. It is made up of 8 members, including representatives from catching, processing and retailing employers, and is chaired by Mr M. M. N. Corner.

On March 21st, at the start of the dispute, it was reported that the board would meet representatives of "large owners and joint venture partners" that morning. On the 23rd Corner was quoted: "The watersiders' actions would jeopardise the future development of the fishing industry". And on the 24th, the board's general manager, Mr N. I. Jarman, said: "Such demarcation problems would continue to arise unless some firm action was taken".

Then on April 14th, prior to a compulsory conference to try to settle the dispute, the press reported that Mr Jarman had sent a 300 word telegram to all 92 MPs, urging them to put pressure on the Government to change the Waterfront Industry Act so that watersiders were excluded from unloading fish.

"Involvement of watersiders in any part of the work other than handling final export product was likely to be the death knell of joint ventures and put the whole future of the NZ fishing industry in jeopardy. Present moves are unlikely to resolve this problem unless there is a strong lead from the Government".

On April 18th, at a post-Cabinet press conference, Mr Muldoon said that if the meeting failed to resolve the dispute, the Government would pass legislation making it clear that the watersiders could not be involved in unloading processed fish. Although a formula for unloading the *Wesermunde* was settled the next day, Mr Muldoon went ahead with the legislation, required by the monopoly owners and recommended by the Fishing Industry Board, to exclude existing unions from the fishing industry.

On June 8th, the Fishing Industry (Union Coverage) Bill was introduced into Parliament.

THE CURRENT SITUATION

This Act has provoked reaction from the maritime unions and the FOL because it provides for a Government-created union

"The Government would determine its membership rules and it could not apply for registration until it had the Minister of Labour's consent. The union will be nothing more than a Government puppet, which will be registered only if the Minister is satisfied that it will be ineffective." ("The Press", 30/8/79).

No unions have registered under the Act or even applied to be registered. In February 1980 the *Wesermunde* returned to Bluff and again was blacklisted by the Waterfront Workers Union (the ban applied to Soviet joint venture ships in Auckland as well, this time). The watersiders wanted the pre-Act Agreement on unloading joint venture vessels to stand. As

well as the joint venture unloading ban, the watersiders banned handling all export fish. The vessel was unloaded after a promise was extracted of further negotiations and all associated bans were lifted (in March).

This led the Board's general manager, Mr N. I. Jarman, to bewail that: "In spite of legislation last year placing the role of unloading vessels and processing fish outside the waterside workers' hands, they still retained the power to cripple the industry" ("Christchurch Star", 11/3/80). The same report carried this optimistic outlook, "We need a sharper, brighter marketing expertise", said the Board's assistant general manager (Mr H. Stone) "We need a New Zealand image".

Southland Frozen Meat's 1980 annual report stated that results in the *Wesermunde*'s first 12 months were "very encouraging", so it would be retained for a further 12 months commercial operations. Then a decision would be made on its future. If its considered successful, it has been said that three further such ships will join the operation—the *Karlsburg Geeste* and *Johann Dietrich Broelmann*. No doubt the local partners, the Fishing Industry Board, the Government and others will do all they can to make sure they do come. But we have seen how these ventures mean an attack on working New Zealanders. They provide next to no jobs, fish out our waters, insist on low wages and conditions, and dump on a shrinking fish market (The *New Zealand Herald* of 29/9/79 reported that the *Wesermunde* had been found dumping 9 tonnes of tarakahi onto the local market, despite pledges that its total catch was for export).

THE RATIONALISATION

The *Wesermunde* joint venture is an excellent case study of the new wave of foreign control. In fact one need go no further than a final quote from Mr J. S. Campbell's letter on the *Wesermunde* for a classic apology for foreign investment.

"... This type of investment in the initial research and investigation is extremely costly and is often ignored by those who criticise foreign investment in countries like N.Z. The risks are tremendous in the fishing itself and there are further risks in regard to the policy of the Government which seems to be able to change quite frequently.

"The emphasis on the capital aspects of the investment generally tend to obscure the other aspects of the investment which include the provision of the capital equipment on a charter or lease basis which saves NZ investment in something which may be risky. The technological input is also frequently overlooked.

"In the case of this FRG participation in an NZ development there is thus, the investment of capital, the investment of research funds, the investment of capital equipment which could be used in some other part of the world, and the investment of scientific knowledge, fishing technology, processing expertise and marketing knowledge and access.

"I daresay a similar situation will apply to most other kinds of foreign investment ..."

Not a word about profit!



INDUSTRIAL DEVELOPMENT: COSTS AND BENEFITS, ENERGY AND JOBS.

INTRODUCTION*

A: THE COSTS IN ENERGY

To get an idea of the likely effects of the proposed industries, it is useful to look at the performances of the five existing energy-intensive companies in New Zealand: a steel mill (NZ Steel), an aluminium smelter (NZ Aluminium Smelters, commonly known as Comalco), and three pulp mills (run by Tasman Pulp & Paper, NZ Forest Products and Carter Oji Kokusaku Pan Pacific). Panpacific and Comalco have substantial foreign backing. (Tasman did also until late 1979).

The Government is currently considering a number of proposed energy intensive projects. These include a 50% expansion of the Comalco aluminium smelter at Bluff, as well as a new and even larger smelter in Dunedin. This smelter will probably be sited on the Aramoana peninsula, if it goes ahead; it will be owned by a consortium of Fletchers, Alusuisse and C.S.R. (Colonial Sugar Refinery). The second smelter would cost \$650 million and consume over 5000 GWh per annum. Other proposals include: a ferro-silicon plant (\$110 million, 450 GWh p.a.); 2 silicon-carbide plants (the one proposed by Kennecott via its local subsidiary would cost \$60 million and use 150 GWh p.a., the one proposed by Ceramco and its unnamed FRG partner is as yet unspecified); and a nickel smelter (\$60 million, 290 GWh p.a.), though this has recent been rejected by the Government. Also, a series of pulp and paper mills is proposed by the Forest Service for the 1990s (e.g. the C.S.R./Baigents Nelson pulp mill proposal costing \$60 million and using 240 GWh p.a.). While not all of these proposals will get approval (for a start, the second aluminium smelter would on its own consume all the so-called "surplus" electricity), it seems that a large number of them will.

Until 1970, smelting and pulp and paper production was minimal in NZ. However during the 1970s a massive expansion took place in these two areas. From 1970 to 1979 these

five firms increased their electricity consumption by 324%, while the overall increase was 79% and the domestic increase in consumption only 32%. In 1979, 21.6% of all electricity sold in NZ was consumed by these five firms. Comalco alone accounted for 13% of NZ's electricity in 1979 (Committee to Review Power Requirements Reports, 1976, 1979).

In anticipation of the 1970-79 load the Electricity Division invested heavily in new construction works between 1963 and 1972. Over \$2,000m (in 1979 terms) was spent on this flurry of construction (Hugh Barr, 1979).

Ultimately much of this investment was for the benefit of the five new electricity consuming companies, for together they absorbed almost 40% of the extra electricity generated between 1970 and 1979.

ELECTRICITY PRICES TO EXISTING ENERGY-INTENSIVE COMPANIES

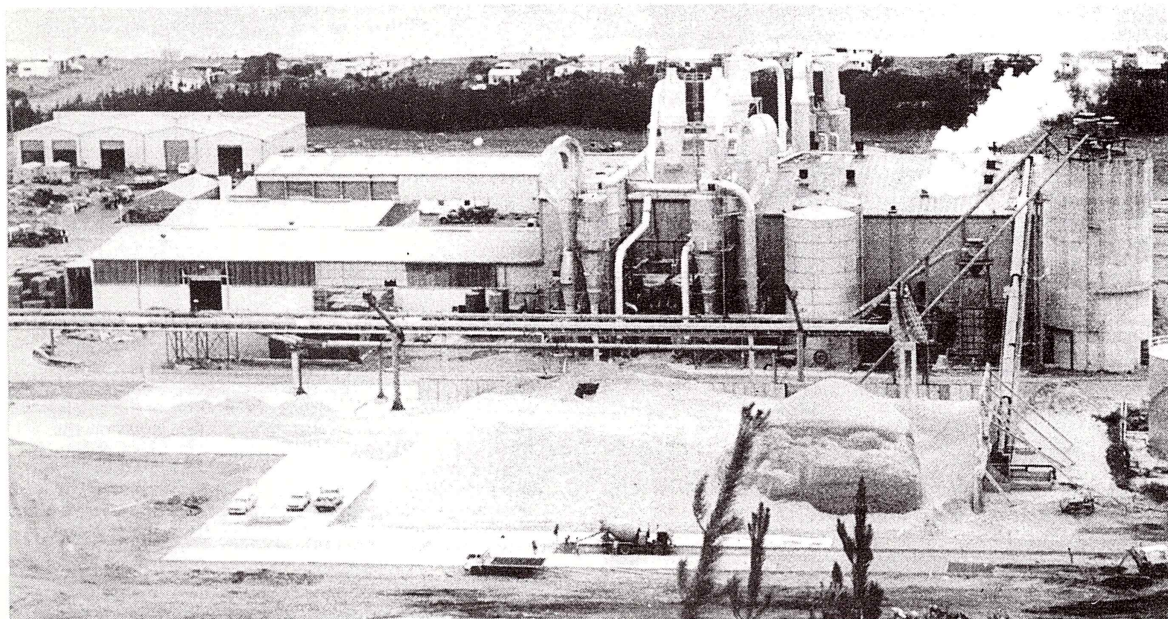
Allegedly for reasons of normal commercial secrecy, the Electricity Division does not reveal individual consumption figures or prices charged to individual consumers. As we now know Comalco's electricity price remains secret at the insistence of the company. Major users may negotiate directly with the Electricity Division for bulk concessions as has been done by NZ Steel.

Tasman's pulp and paper mill at Kawerau also buys directly from the Electricity Division at an estimated price of 2.5 cents per unit (KWh) in 1979 (from figures in Tasman's 1979 annual report, assuming annual use of 750 GWh). This price is about the bulk tariff for a consumer with an approximately constant electricity use and is less than the amount paid by local power boards.

The Kinleith (NZ Forest Products) and Whirinaki (Panpacific) pulp mills probably pay slightly above the bulk tariff, as they purchase their electricity from the local supply authority.

These major users may now be obtaining their electricity at even cheaper rates. NZ Steel and Tasman both approached the Government in 1979 seeking electricity at "internationally competitive prices." This request is likely to have been very favourably received by Government, in line with its policy of encouraging electricity-intensive projects, particularly in the export sector. As a result they may be receiving their electricity at below the cost of producing it.

* (NB. Some definitions are required. KWh—kilowatt hours; the standard unit of electricity, the unit measured in domestic power bills. GWh—gigawatt hours; a million times a kilowatt. MW—megawatts; the amount of power that can be produced at a given time).



The P.A.N.P.A.C. pulp mill at Whirinaki near Napier. The three pulp mills operating in N.Z. in 1979 use as much electricity as the cities of Wellington, Dunedin and Invercargill combined.

COMALCO

The aluminium smelter at Bluff has always received its electricity at ridiculously cheap rates and therefore deserves special mention.

In 1969 Comalco Ltd. signed an agreement with the NZ Government for a 99 year supply of electricity. Due to the omission of a suitable inflation escalation clause in the agreement, Comalco was able to purchase a large proportion (13% in 1979) of NZ's total electricity supply at a relatively static price for 99 years. The actual price has never been disclosed by either the Government or Comalco, although it is now known to have been 0.17 cents per unit (KWh). By comparison, domestic consumers in 1978 paid almost ten times this amount, and other major users paid five to six times the Comalco price.

At the end of 1978, following two years of renegotiation between the Government and Comalco, the price rose sharply to about 0.77 per unit. By March 1980, when the price in Japan was over 6 cents per unit, Comalco's price was still only 1.12 cents.

These incredibly cheap prices mean that during the last ten years Comalco has saved well over \$100 million by purchasing electricity at less than the normal industrial tariff ("Open Government Report No. 3"). But, more to the point, it has cost the Electricity Division, and therefore other consumers, over \$100 million, because the price Comalco paid (and still pays) is well below the price at which the Electricity Division can produce the power. For example, in 1970-71 each unit of electricity cost the Division 0.7 cents to produce. However Comalco was buying its electricity at nearly one-quarter of this price. Even after the 1978 price rise, Comalco was still only paying half the production costs of the electricity — at a cost to the Electricity Division of nearly \$22 million for the year.

Surprisingly the Division does not usually make a loss. In fact for the 1978-79 year a \$5.5 million profit was made. In the previous year the profit was **\$6.3 million**. (This profit figure should include interest paid on loans for expansion. This interest is really profit. For instance profits resulting from the May 1979 price increase were expected to cover both interest payments—of \$179 million!!— and part of the Government's Budget deficit. The Electricity Division has been able to compile figures which make healthy surpluses look like serious deficits, which are then used to justify further price increases. The way it does this is by ploughing surpluses back into investment programmes to enlarge capacity. However, instead of the profits being spent directly on capital development, money is borrowed at relatively high interest rates, and the previous year's profit appears as the current year's cost of



interest payments to the lending institutions—which must be covered.)

How can this occur when the Division is selling 13% of its electricity to Comalco at well below cost? The answer is simple — the Division charges its other consumers more: over the last ten years it has recouped its \$100 million (and more).

So, like it or not, NZ's domestic consumers, farmers, businessmen, and other industrialists have all been paying not a little bit more on their power bills so that the British, American, Japanese and Australian owners of the Bluff smelter can obtain incredibly cheap electricity.

DSIR mathematician Hugh Barr provides a more graphic illustration of the direct cost of the smelter to other consumers. He says "the power blackouts and money spent on fuel oil in 1974 appear to be a direct consequence of accepting the Comalco load. Fuel oil replacement generation alone in that year cost us \$9 million compared with the \$3 million income the NZED received from Comalco power."

The results: a \$6 million bill which was paid by other consumers.

SUBSIDIES

Some, if not all, of the existing electricity-intensive companies may not be receiving electricity at below cost. In addition to this, the energy-intensive companies benefit substantially from the Government's export incentive programme. A variety of allowances relating to export market development, export incentive and investment mean that little or no tax is paid on company profits.

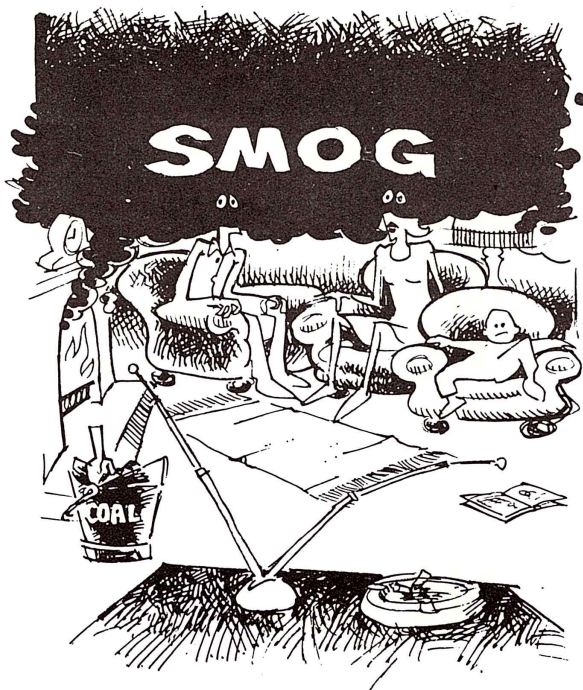
As a result of the 1978 tax credit scheme, exporters can now receive direct cash handouts from Government (i.e. the taxpayer). For example the profit of the Tasman Pulp & Paper Co. for 1978 and 1979 amounted to \$20.7 million, but only \$3.7 million of this was "real" profit. The rest was \$17 million in subsidies ("export incentives") paid by the Government. In addition to this, the company has paid no tax since 1975, as a result of other export allowances, meaning a loss in tax revenue of about \$9 million.

Example:—NZ Forest Products—the 1978 and 1979 profits before tax totalled \$45 million. However, due to Government export incentives \$37.3 million of this income was tax free—meaning a loss in tax revenue of \$16.8 million. As a result, the total tax paid by NZ Forest Products for the two years was only \$1.5 million.

Comalco benefits from the export incentive scheme and other allowances, but contrary to widespread belief, the company does pay tax in NZ.

"New Zealand Aluminium Smelters Ltd (NZAS) is owned by Comalco Ltd, Showa Aluminium Industries KK, and Sumitomo Aluminium Smelting Co. Ltd. It conducts its business so that the tax deductible cost of financing, commissioning and operating the smelter will be fully recovered through tolling charges on the three shareholders during the life of the plant so the smelter will have made neither a profit nor a loss at the end of its life. Any profit on aluminium produced at the smelter is made by the shareholders' NZ branches, which are taxable entities. All net income from the sale of the smelter's products is subject to NZ income tax". (*The Press*, 15/3/80).

"Company taxation in this country is higher than in either Australia or Japan. The Japanese would not have joined the venture (and thus brought guaranteed access to Japanese markets) at existing rates of NZ company tax. The Government agreed that each company should



pay a rate of tax 7½% higher than its home rate of tax, with a minimum of 42½% and a maximum of the New Zealand rate applicable to overseas countries, at present 55%. Comalco at present pays at a rate of 55%, 7½% greater than it does in Australia; and the Japanese are likely to pay more than the 42½% minimum." (*NZ Company Director*, September 1971).

AN OVERVIEW

Much of the new electricity generated in the 1970s went to a small number of energy extravagant companies which are very poor performers in terms of their direct contribution to the economy and employment.

In order to be competitive on the international market these companies are subsidised through export incentives and very cheap electricity. Tax exemptions mean that they contribute little or nothing to maintaining the infrastructure on which they depend—the roads, railways, administration, education system, etc.

The presence of these companies has meant that other electricity consumers have had to pay more for their power. There are two main reasons for this. Firstly the electricity sold to some or all of the five major companies has been subsidised by other users. Secondly the massive expansion of NZ's electricity generating system to provide for these companies has meant that new and much more expensive schemes have been absorbed into the system, increasing the cost of electricity to all consumers. Also the electricity from these schemes was then not available to meet normal increases in electricity use in NZ. To provide for this normal increase in demand, more difficult and costly schemes have had to be developed.

NEW ENERGY-INTENSIVE PROJECTS

What are the likely effects of proposed new energy-intensive projects? Will they be any better or worse than existing major electricity users? Well, energy-intensive projects, almost by definition, employ few people. The new projects will qualify for the same tax exemptions and export incentives. The evidence suggests that they will receive their electricity at extremely low rates. As part of the South Island industrial electricity concession the Government is offering negotiable tariff reductions for major new projects (this should not be confused with the standard 25% reduction for businesses in the South Island). The Government is in a weak position to bargain for reasonable electricity tariffs with the companies behind these new projects, for it has been rapidly backtracking over the issue of energy-intensive projects. In the mid 1970s Government refused approval for three sep-

arate proposals involving nickel smelters at New Plymouth and on the West Coast, and a second aluminium smelter at Aramoana near Dunedin. These proposals, according to the then Labour Government, involved little in the way of local raw materials apart from energy, and therefore amounted to little more than NZ exporting cheap energy. Similarly the Government in 1978 raised the price of electricity to the Bluff aluminium smelter. Comalco claimed that this price increase made further expansion of the smelter unprofitable and decided to forego the option held on an additional 1500 GWh of electricity originally planned for use in 1983.

POLICY REVERSAL

In 1979 there was a major reversal in the present Government's policy on energy-intensive projects. The Government called for proposals from companies interested in setting up operations in the South Island, utilising NZ's "surplus" electricity. Ironically the nickel and aluminium proposals, refused only years earlier were being reconsidered. (Straight from the horse's mouth again—the NZ spokesman for US multinational Kennecott, in connection with a proposed silicon carbide plant: "The price of power is reasonable"—*Christchurch Star*, 30/1/80). Comalco decided to re-evaluate "expanding its operations.

The Government's change of heart was undoubtedly brought about by political considerations such as its increasing foreign debt (e.g. to the FRG). Also in recent years the Government has become more aware of its excessive expansion of the electricity generating system, a result of repeated over-estimation of electricity needs by the Government power planners.

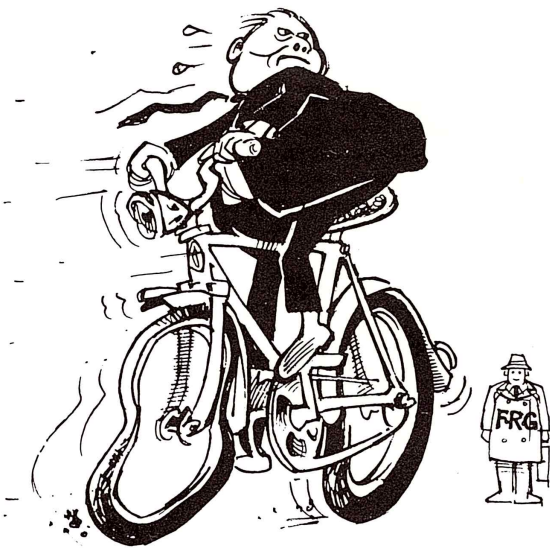
However though the Prime Minister (Mr Muldoon) was aware of the power planners' errors he decided to let the surplus develop and wait and see. Minutes from a Cabinet Economic Committee meeting of June 7th, 1978 were leaked and appeared in an environmental publication *Energywatch* in July 1979.

At this meeting Mr Muldoon said he was "most concerned at the wide margin of error in the Committee's (Committee to Review Power Requirements) earlier forecasts, and because of this he could not be sure of their latest estimates."

But he went on to say:

'Rather than abandoning work already started, the Government could continue with these projects, recognising that there could be a resulting surplus of power, and reassess





— BACKPEDALLING —

the situation at a later stage. If there was a surplus, consideration could then be given to introducing a energy-intensive industry to utilise this power".

Mr Muldoon committed NZ to further major industrialisation, and at the same time committed NZ consumers to paying more for their electricity.

WHY THE PRICE RISES

At this stage it is useful to consider why electricity rates have risen substantially in recent years. There are two main reasons, and the attitude adopted by Mr Muldoon in 1978 aggravated the situation.

The first reason is simple. The Electricity Division, as a result of bad forecasting, built too many power stations and then found there were not enough users to pay for them. As a result, the cost of building the extra stations had to be spread among the existing consumers.

The cost of producing electricity in NZ is made up of two parts: working costs (such as oil, gas, wages, maintenance, etc) and capital costs (which include loan repayments, interest and depreciation). If there are too many power stations then it is a simple matter to cut generation to the desired level. However capital costs are always fixed and a station still has to be paid for even if it is never used. This is why an oversized generating system produces dearer power than one of the correct size, operating at maximum efficiency.

In 1979 NZ's generating capacity was 42% more than needed. D.S.I.R. mathematician Hugh Barr has estimated that interest charges on this surplus capacity alone added about 25% to the cost of the electricity bought by the local power boards.

The second reason is because a third component has been added to electricity costs. The Electricity Division decided to



take full advantage of its powers to finance the construction of new schemes directly from revenue rather than by way of loans (Report of the Ministry of Energy). However, all the existing revenue was going to cover running costs and repayment of loans. Therefore, to get money to pay for new schemes the Electricity Division had to raise the price of electricity e.g. (May 1979 bulk tariff increase of 60%).

Generally price increases have, at their origin, the Government's decision to allow over-investment in electricity production to continue, with a view to offering any surplus that might arise to new energy-intensive projects.

As a result, these new projects look set for getting incredibly cheap electricity. They only need to offer to cover the running costs of the surplus stations, because the stations are already being paid for by existing consumers. So NZ consumers pay the bills and foreign industrialists reap the benefits.

The Government's decision goes beyond merely offering existing surplus capacity to energy-intensive companies. Further new schemes, such as the enormous Clutha development, are being planned, to supply additional electricity to these companies.

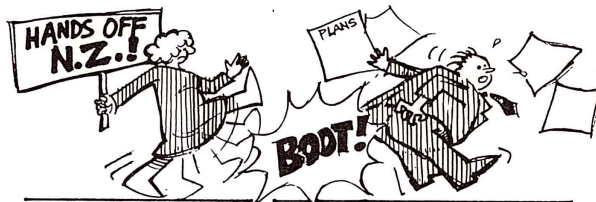
THE ALTERNATIVE

The Clutha is a scheme which is being funded directly from electricity revenue. Therefore the scheme will be bought and paid for by NZ domestic consumers by the time the foreign industrialists arrive. Once again it will be a simple matter for the Government to accept the companies' offer to pay for, at most, the running costs of the station.

Therefore it does not seem to be in the New Zealand people's interests to have these energy-intensive projects set up. Past experiences with such projects have not been encouraging.

Rather than selling off the existing "surplus" electricity in large quantities, the Government should allow normal increases in electricity growth to utilise this power over a number of years. The 1979 power plan (Committee to Review Power Requirements) reveals that sufficient power stations are **already built** to provide electricity for even the most optimistic forecasts up until 1990. A lower growth in electricity demand would mean that no new stations would need to be commissioned before 1995. An additional block of power will also be available as schemes that are near completion come on stream (Ohau B&C, Huntly, Rangipo-1500MW altogether).

The NZ people are paying for all these schemes and they should reap the benefits. If no further schemes were begun and normal growth in electricity was allowed to utilise this surplus over the next ten to fifteen years, then the real price



of electricity would gradually fall as more efficient use was made of the power stations.

New electricity-intensive projects will have just the opposite effect.

B: THE "BENEFITS" —JOBS?

THE COST OF JOBS

The proposed industrialisation which the NZ Government is about to subsidize involves energy and capital intensive projects that by definition employ few people.

This can be shown by the 5 electricity intensive companies mentioned earlier.

These firms used 21.6% of total electricity consumption in 1979 which represents 58.5% of manufacturing industries' consumption while altogether (including less electricity intensive subsidiaries), they employ only 13,500 people, that is only 4.5% of employment in manufacturing.

Registered unemployed and those on special work have risen from 1200 to 1974 to an official level of approximately 55,000 (at the time of writing). Further development of

electricity intensive projects will not solve this problem.

For example, a ferro-silicon plant, is being proposed by R. C. MacDonald Ltd (a partner in the *Wesermunde* joint venture) and Pacific Steel Ltd. It would involve NZ Steel and a Norwegian firm, Elkem Spigerverket, which operates such plants worldwide. Japanese capital, in the shape of Marubeni, was involved in the exploratory stages in the 1960s.

The plant will require coal, silica and electricity, all of which are available in NZ, and then export 90% of its product. It will cost \$110 million, but only employ 120 people, that's \$1 million invested to create 1 job. If overseas owned, its profits would accrue to the overseas owner(s) and the project would be more or, less an export of NZ resources with little benefit to NZ.

An April 1980 study by Professor P. van Moeseke, of the University of Otago's economics department, shows that an aluminium smelter built anywhere in NZ, which created 800 jobs, would cost \$3,140,000 per job. A 300,000 tonnes p.a. smelter would require one quarter of N.Z.'s total present hydro energy, and would cost approximately \$2,500 million, which represents \$2,058 for every person employed in N.Z., exceeds by \$500 million the sum total of the nation's private savings, and equals 57% of all direct taxes paid.

RESTRUCTURING

This plant and the rest of the industrialisation is part of a Government policy called "restructuring", which also involves the removal of import controls. This, in turn, has made NZ business more vulnerable to international economic fluctuations and is therefore partly responsible for the current recession and rising unemployment.

EXAMPLE

The textile workers (yarn/material and carpet) have had their employment severely affected by cheaper imported goods from low wage countries.

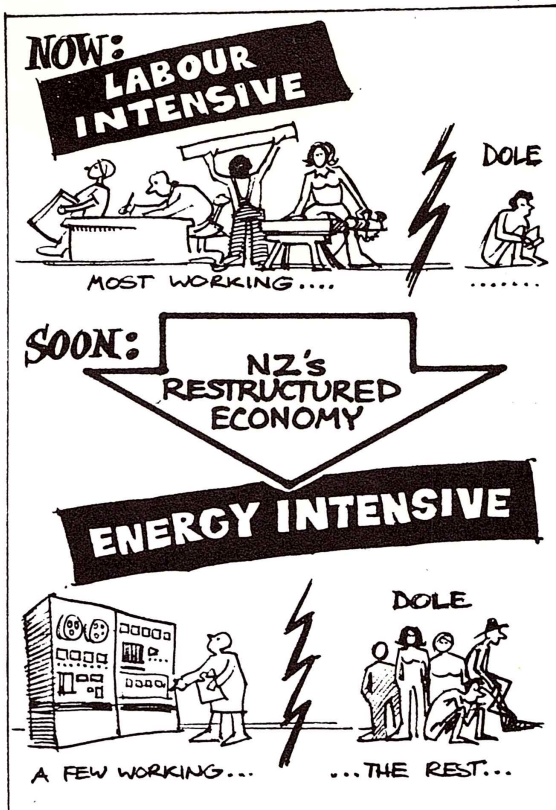
Alliance Textiles Ltd of Dunedin has announced plans to make 500 of its 1000 staff redundant. It has \$12 million of shareholders' funds which result in the employment of 1000 people. That is, \$12,000 invested to create 1 job compared to approximately \$1 million per job in the industrialisation programme.

The "restructuring" policy will therefore result in greater unemployment by closing down manufacturing industries such as textiles and clothing that produce for the local market (and some export) mainly with local raw materials—these goods will then have to be imported.

HIGH COSTS, FEW JOBS

A restructuring policy establishes foreign owned (with profit accruing overseas) capital and energy intensive projects. Products are mostly exported and fewer people are employed. Further investment in centralised energy projects becomes necessary which again provides few jobs and involves large amounts of capital.

Maui gas development is proposed to involve: expansions of the Marsden Point oil refinery; an ammonia urea plant; a pipeline to Auckland, Marsden Pt, Kawerau (for Tasman Pulp & Paper) and Kinleith (for Forest Products); conversion of public transport to gas or electricity; a methanol plant (to produce 2500 tonnes per day), and further research and development. All of this will cost \$1325 million (according to Planning Council estimates) and result in the employment of



up to 4000 in the construction period but only 800 permanent jobs i.e. \$1.7 million per job.

Extra projects include \$400 million of petro-chemical plants (the FRG multinational Bayer is interested in this) such as plastics; \$600 million for the Maui B platform and a \$200 million synthetic petrol plant (by Mobil). These total \$1,200 million to provide 1000 jobs during construction but only 600 permanent jobs. i.e. \$2 million per job created.

GUESS WHO PAYS?

These energy projects will require further overseas borrowing. Mr Muldoon proposes borrowing between \$4000 million and \$5000 million in the next 10 years to finance these projects, but then the Government seems prepared to sell the energy and other resources to multinationals.

Because of the large State role in these projects, money has to be found elsewhere. So taxes are slapped on boats, icecream, pottery (but not for long), the dole and the super. Welfare spending is cut, such as in health and education. Government services go up: Postal charges, railway freight rates, electricity skyrockets. The people of NZ sacrifice for the sake of big projects benefitting international big business.

The Government is inextricably committing NZ's people to a course of hugely expensive large scale industrialisation, which will not even create many jobs for New Zealanders: in fact, because the huge subsidies and capital sunk into these projects becomes unavailable for elsewhere, in what must be more labour intensive projects, the Government's programme is actually destroying jobs.



SOUTHLAND LIGNITE — A CASE STUDY.

LIGNITE—Light to dark brown in colour, showing woody or vegetable structure. It is a coal in which alteration of vegetal matter has proceeded further than peat but not as far as sub-bituminous coal. Moisture and volatile content is high, these coals break up rapidly on weathering. Consolidated lignite has a calorific value of less than 8,500 B.T.U.'s per pound. ("The Coal Industry of New Zealand") B.T.U.'s, British Thermal Units — a gauge of quality based on burning temperature.

During a period of 18 months in 1977-78 the Mines Division of the Ministry of Energy carried out an exploration programme in Eastern Southland which proved vast desposits of lignite coal. 450 holes were drilled in an area of 2,000 square kilometres at a cost of \$1.6 million. The reserves are now estimated at 4,400 million tonnes, which has the energy equivalent of six Maui gas fields.

The information on the deposits has been given to two FRG companies, Hoechst and Rhinebraun. It is freely available at the NZ Embassy at Bonn because the deposits suggest a potential for cheaper opencast rather than tunnel mining, and the Germans have much expertise and experience with opencast mining. (In March 1980, the Under-Secretary for Energy Mr B. Brill, met Mobil officials in New York and asked them to consider using the lignite as feedstock for synthetic fuels).

THE COAL

85% of the reserves (3,720 million tonnes) exist in 6 major deposits. These are:

1. Waimumi. (Estimates of easily mineable coal in brackets: 170M tonnes). Better quality lignite, about 75% of which occurs in two seams. This is a straight forward mining proposition with mining moving south and west from an eastern outcrop but with possible limits to mining in the west.

2. Croydon (160M tonnes). Better quality lignite with about 75% occurring in one seam which has an average thickness of 16 metres and no major foreseeable complications.

3. Morton Mains (330M tonnes). One major seam with an average thickness of 9 metres, other seams varying in ash content and thickness. A reasonably attractive mining proposition.

4. Waimatua (530M tonnes). Low quality lignite on the boundary of Invercargill, mostly in two flat and hollow seams of about 9 metres thickness. Although the mining would be straightforward the shallow beds would require disturbing a wide land area involving many occupants.

5. Ashers-Waituna (490M tonnes). Low quality lignite occurring mainly as thick, shallow, flat lying seams, having reasonable mining potential. But since the deposit is only a few metres above sea level, there must be water problems and the swampy ground may cause pit floor and wall stability problems.

6. Mataura (1,150M tonnes). A massive deposit of good quality lignite which is structurally uncomplicated but is not an attractive mining proposition. Much of the deposit lies under the "100 year flood plain" of the flood prone Mataura River. Thin seams may be difficult to mine and large areas of prime farmland would be put out of production.

Mr M. J. Isaac of the DSIR stated that the exploration programme was successful, in that several thousand million tonnes of coal are now considered measured and indicated. He pointed out that the coal is not newly discovered but has already been mined in about 150 pits in Eastern Southland.

MINING THE COAL

Although estimates can be made of how much coal there is in the ground, the amount that is recoverable depends on a number of factors.

A senior geologist, in charge of coal exploration with the Geological survey, Mr F.E. Bowen has warned that only

about 0.1 per cent of Southland's potential resource could be classified as reserves which could be mined. (Press 12/6/80).

The problems that are involved include:

A. **Multiple thin seams**, which could make extraction difficult without contamination from non-coal layers.

B. **Dewatering**. Keeping the water out of the hole while mining (e.g. the Mataura River flood plain, encountering artesian water supplies and shallow water tables, which occur over much of the Southland plains).

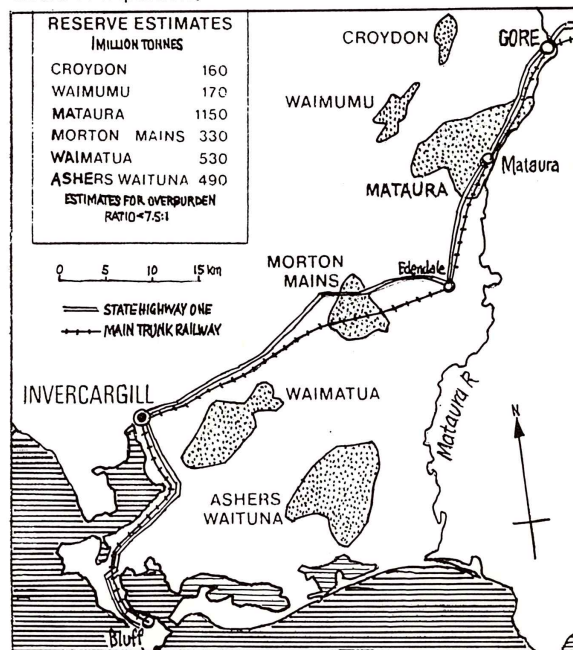
C. **Contaminating water supplies** (e.g. Mataura River, artesian water supplies and ground water supplies). The Mataura River is extremely important for recreational fishing as well as supplying water to several towns and industries and washing away their effluent. A reduction in waste has been necessary in the past to bring the river up to minimum quality levels. Mining and any associated projects could again affect these levels.

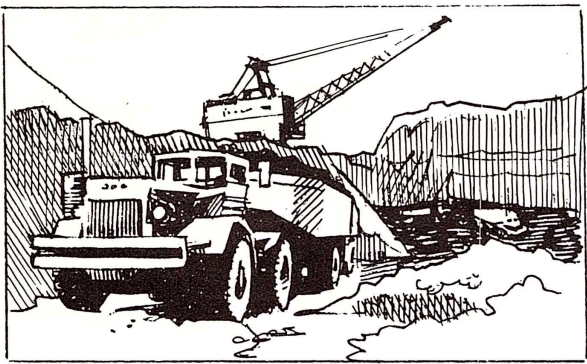
D. **Batter angles**—this refers to the slope of the walls that is needed for stability to ensure safe working conditions at the bottom. The weakly consolidated gravels and muds which overlie much of the lignite will necessitate very shallow batter angles, hence a very large hole at the top for a small working area at the bottom.

E. Large areas of high production land will be put out of use. Five of the six deposits lie under prime farmland utilised for mixed grazing and cropping. It is recognised as some of the country's best lamb rearing pasture and involves some high quality soils which are rare in NZ.

F. Restoration of the land after mining. If care is taken in separating the uppermost soil layers and in stockpiling these separately, production potential will be maintained once these are replaced and compacted—the DSIR is researching any possible effects. The major problem will be drainage both on site and on a wider scale. Soil that was free draining could become difficult to drain after mining. Extraction from deposits in low lying areas could be ruled out due to lack of height above sealevel, which could result in an area being below the water table after restoration. This area would have a series of large, deep ponds or a general lowering of the mined land would occur, necessitating continual large scale pumping of groundwater (and the associated continual energy requirement) to restore its productive capacity. Other soils may benefit from mining.

The Ashers-Waituna deposit is covered with swamp and peatland, part of which is a proposed wetlands reserve containing valuable waterfowl habitats and probably the last large area of lowland swamp flora in NZ. Full restoration would be impossible.





Although FRG companies may have much expertise in strip mining, many of these problems are unique to Southland and will require much more research before they can be solved and mining can proceed.

Once some of these problems have been clarified, decisions can be made on the pit design and the scale of operations which will allow estimates of how much coal is recoverable.

The economics of mining can then be examined. Dr. W. Lewis, a senior lecturer in geology at the University of Canterbury, has said however that a major breakthrough would be needed in mining technology before it is economic to recover the Southland deposits. (Press 12/6/80).

PLANNING

Planning will be an essential part of any mining operation. In the FRG, strict environmental laws require full plans to be completed before mining begins. In NZ, the Town and Country Planning Act, 1977, would require the Southland County Council to consider the following matters to be of national importance in considering any application for planning consent for the extraction of a natural resource:

- (i)—the conservation, protection and enhancement of the physical, cultural and social environment.
- (ii)—the wise use and management of NZ's resources.
- (iii)—the protection of land having a high actual or potential value for the production of food.

Any application must be accompanied by a full management plan which can then be objected to by any person, group or body if they feel it is contrary to their own, the local or the national interest. There is also a right of appeal against any decision that is made.

The Town and Country Planning Act, however, simply provides people with time and a chance to oppose projects, whether proposed by Government or private enterprise, local or foreign. But even this limited local power is overridden by the National Development Act, where the decision is made by the Minister of National Development, with no effective right of appeal.

The Southland County Council policy is to encourage industry in Southland, where this can be achieved with proper conditions and controls and where it is not detrimental to the other users of the land.

The County Clerk, Mr N. T. Farrell, asks:

"Will this view of controlled and organised development be supported by others or will the local and overseas financiers see this possible expansion as yet another opportunity to achieve fast profit with a minimum of restrictions? While this may have been possible in the past, I cannot believe that the Government would enter into an agreement which would permit the desecration of our lands."

The need for long term and careful planning and tight environmental controls on any large scale mining operation is apparent, yet the National Development Act overrides these considerations by limiting objections and appeals (which ensure full analysis of any project).

THE USE OF THE COAL

NZ currently uses about 2 million tonnes of coal annually. To be economic, open cast mining would probably have to produce many times this amount necessitating larger consumption by many users or some large scale use.

Three mines at present in Eastern Southland produce 120,000 tonnes of coal per year, which is mainly burnt in furnaces and domestic fires. Expansion of this use and other

industrial use is limited, even if industrial expansion in Southland goes ahead (e.g. the proposed silicon carbide smelter which would use 60,000 tonnes p.a.)

Lignite is mined in Southland's Pomahaka and Mataura fields. However the amount has always been negligible because much better quality sub-bituminous coal has always been available from the Ohai field and because open cast mining would be required to exploit it fully. Lignite is not suitable as an industrial coal because of its high moisture content. It could only be used if blended with higher quality coal, e.g. bituminous.

The most frequently proposed and the most likely use is conversion of coal to oil. NZ's energy problem is one of liquid fuels, and increased costs of these are partially blamed for its inflation and balance of payments problems. Though it might seem sensible to use the lignite resource to overcome these problems, producing oil from coal has a number of arguments against it.

1. The oil will be very expensive. Costs include:

(i) The coal liquefaction plant at \$2000 million (US Army capital cost estimate in mid 1977) would place NZ government and business even further in debt or it could be overseas owned, with the benefit of the resource going overseas.

(ii) The coal mining, land restoration, loss of farm production.

(iii) Liquefaction would be \$35 (1978 dollars) per barrel.

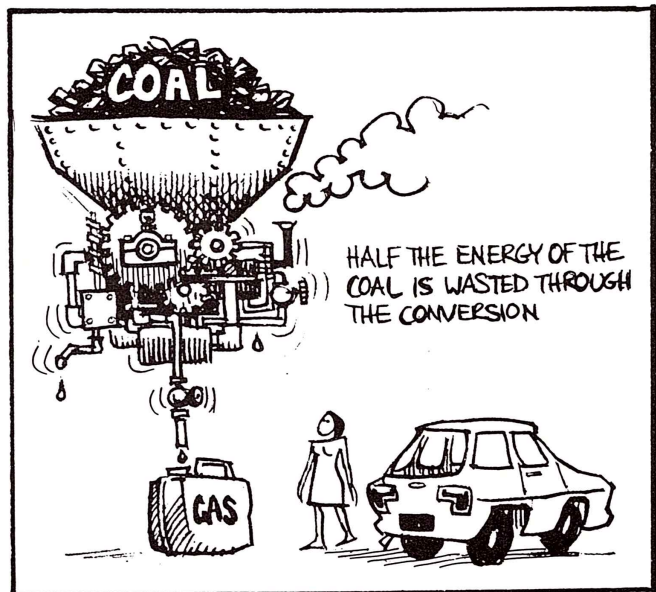
(iv) A large land site, up to 500 ha (further loss of farm production), close to the mining and a water supply (further pollution).

2. The process is very inefficient since approximately half the energy content of the coal is lost.

3. The plant could be dangerous to people's health: skin and lung cancer are believed to be caused by some waste products.

4. The plant will take at least 10 years to set up, in which time new technologies or oil could be discovered making the plant or the process obsolete. It will then have a life of only 25-30 years and is thus not a long term solution.

5. NZ government and business will become dependent on foreign technology and expertise.



THE ALTERNATIVE

An alternative to importing oil and converting coal to oil is available in N.Z. It is to produce as much liquid fuel as possible internally by conversion of biomass to ethanol, or, put simply, to convert sugar beet to liquid fuel. Large scale sugar beet farming would make more efficient use of the land than present cropping or grazing, (quite apart from supplying a domestic source of liquid fuel, it would provide a domestic source of sugar). The establishment of a sugar-beet industry in NZ has been opposed by the Government for several years. It would be to the detriment of Colonial Sugar Refining (CSR), which monopolises sugar production

in the South Pacific. But that's another story. The conversion of biomass to ethanol offers a long term solution to N.Z.'s liquid fuel needs based on renewable resources. Neither coal nor oil are renewable.

The Southland lignite resource is massive. It is in fact NZ's single biggest energy resource. The cost of mining and converting coal to oil is immense. Mr D. Tudhope, chairman of Shell NZ Holding Co. Ltd, told the Society of Accountants at their 1980 convention:

"Coal is by far our major hydrocarbon resource, short of major oil or gas discovery. The minimum time to develop these lignite resources, and the technologies to go with it, will be at least a decade. The current estimate for coal winning and conversion is some \$30-\$40 per barrel of oil equivalent, so that an investment, in today's terms, of up to \$2000 million would be required to substitute the remaining expected call for oil imports. It is an immense project, similar to Maui field development proportions". (*Christchurch Star*, 20/3/80).

The Government sees lignite as the key to liquid fuel self-sufficiency by the end of the century. Companies that have

been supplied with information about the deposits have been asked to report back by the end of August 1980 with their evaluations, plus the Government is doing its own research, to make the lead time as short as possible.

Evening Post reporter Robin Briggs recently visited West Germany at the invitation of the Federal Government. Germany has led the world in coal gasification and liquefaction for most of the past half century and is now investing massive amounts to develop the technology.

One Federal Government energy official said, "German panzers used gasoline out of coal, and German firms were always in contact with South Africa continuing the process." (in the Sasol oil from coal operation) — (*Evening Post* 8/4/80)

He also reports that a Government paper says that liquid products and substitute natural gas from German coal are available at approximately two to four times the prices of oil products and natural gas.

Not only is conversion to oil expensive, it's unnecessary. It would involve foreign participation (most likely West German) when alternatives are available.



Southland Pasture

GERMAN UNIONISM.

At the October 1978 meeting between Count Lambsdorff, the West German Federal Minister of Economics and others for the FRG, and Mr Talboys and others for NZ, there was a certain Mr Heinz Otto Vetter from the German Trade Union Confederation (DGB). It seems strange for a trade union leader to be joining in a trade delegation's trip to NZ. Was he travelling with the business leaders he would do battle with on the home industrial front in order to warn the NZ people about the dangers of inviting imperialist West German business to exploit NZ resources and labour?

Looking through the leaked minutes, we see that Mr Vetter didn't say very much apart from his comment on labour relations that he "saw an English tradition in our trade unions that could not be overcome overnight." He had held talks with NZ union leaders and obviously was dissatisfied with their attitude to foreign investment. So it became obvious why Mr Vetter was here—to criticise our trade union structure and tradition and to persuade trade union leaders to accept foreign investment.

This raises several questions. Why did Mr Vetter mean by this "English tradition" and what sort of trade unionism does he prefer? Is it a coincidence that the businessmen in the same West German delegation also expressed approval of the trade union structure in West Germany? Mr Bowron of the Canterbury Manufacturer's Association said on his return from the FRG (in October 1979) that he was "impressed" with the consultative approach to industrial relations in that country.

BOSSSES' UNIONS

In West Germany, only a minority of workers belong to unions. In 1970, less than one-third of all blue collar and white collar workers. The right to join a union is in the Constitution but the "closed shop" system of ensuring membership of unions is forbidden by law. So, workers cannot legally require their fellow workers to be union members. There are about 2,500,000 temporary immigrant workers and they act as a buffer to the West German worker. These "guest workers" often work in shocking labour conditions.

There are various national trade union organisations in West Germany and not just the one like the FOL. However the dominant organisation is the DGB (Deutsche Gewerkschaftsbund) which represents almost 8 million of the 22 million workers. The DGB is a federation of 17 national unions organised on an industry basis (vertical structure) rather than a trade basis (horizontal structure) as is largely the case in NZ.

The laws governing industrial action are very restrictive. Unions are responsible by law for making workers fulfill their contractual obligations. If the workers go on an unofficial strike, their union can be fined. Also there is a long procedure to go through before a union can call a strike. When award (contract) negotiations break down, there is a legal "cooling-off" period of 21 days. A strike can only be called if the ballot gets a 75% majority and strikes are illegal when the contract is in force. Since the unions in the FRG are very law-abiding, there have been very few strikes. The number of

days not worked through strikes in the FRG in 1968-70 was only 2% (proportionately) of the number of days not worked in the UK. As one of a delegation from the British Engineering Employers' Federation remarked: "We were impressed by the smooth running of much that in Britain is characterised by disharmony and confusion".

The unions are organised so that power is restricted to a small group of national leaders, and as the above delegation from the British Engineering Employers' Federation said, they (the union leaders) "readily accept the need for company prosperity and they realise the vital importance of profits. This simplifies arguments over productivity and manning agreements". Dr Gerhard Leminsky, head of the research institute at the DGB said that "private ownership should not be abolished. What we have is a system where participation allows the unions to force a social dimension onto corporate decisions taken along commercial lines". A lot of the visiting manufacturers describe the trade unions in the FRG as very powerful, but one recent writer (Krejci, "Social Structure in Divided Germany") notes that the "West German trade unions have not yet attained the strength to challenge parliamentary power and upset the government as the British trade unions have done". Actually Mr Vetter is on record as saying that he is opposed to unions taking part in "concerted action" (G. Hallett, "The Social Economy of West Germany").

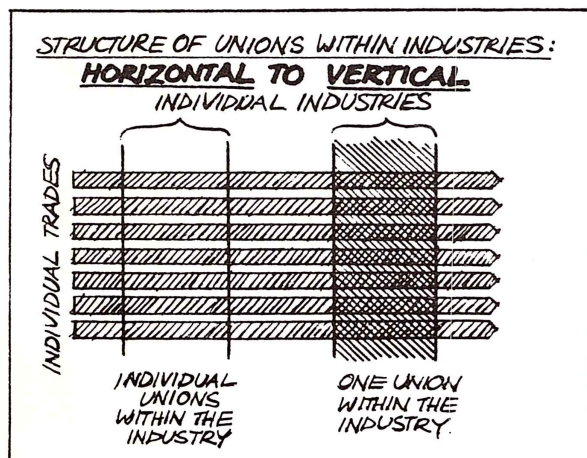
"CO-DETERMINATION"

There has been considerable publicity given to the system of "co-determination" in the FRG. This involves a complex structure of boards which have different functions and varying degrees of worker representation. First of all, there is the general assembly of shareholders which is the highest authority and which is responsible for the company's by-laws, for decisions on capital structure and for the distribution of profits. There are no worker representatives on this body. Then there is the supervisory board which oversees the management of the company and determines investment and financial policy within the structure approved by the general assembly. There are some "worker directors" on the supervisory boards in companies where over 2000 workers are employed. In the coal and steel industries there is a 50:50 representation between workers and shareholders, but there is a "neutral" chairman. Next there is a management board which is responsible for the day to day management of the company. The members are all full-time executives and it is just like executive boards throughout NZ business. There are no worker representatives. Then there is the works council. The law requires for even small companies to set up a works council which checks on safety, adherence to agreements, makes representations to the employer and so forth. This is where the workers have considerable representation. The system explained above does vary to an extent and there are continuous developments, but the overall structure is the same.

The major question is whether or not the system is simply a cleverly disguised con designed to create the appearance of participation while owners and management continue to exercise real control, or does the system actually give considerable power to the workers? Well—the management and owners of industry in the FRG seem well satisfied with the system. As one writer said:

"The various worker participation laws have given union leaders the opportunity to be active in all aspects of company affairs and have forced employer and employee representatives to meet more often, get to know each other better, get used to solving problems together and all this has helped build up a healthy industrial relations system. Many strikes have been averted on account of union leaders knowing company directors well and knowing a company's financial position well enough to know what sort of wage rise a company can afford". (Krejci)

One German industrialist said that "we have let the workers into the executive washroom but we have still kept the keys" (*Time*, 5/11/79), and the British Engineering Employers' Federation assured employers that "we did not find that codetermination adversely affected investment, profitability or the development of the enterprise. But the unions



challenge neither the making of profits nor the market economy, and private ownership". That's handy—isn't it!

REALITY OF UNION CAPITALISM

Though the bosses seem to like this system of "codetermination" there are some people who have pointed out its effects for the workers. One writer (F. Vogl in "German Business After the Economic Miracle") says that codetermination "tends to widen the gulf between union leaders and rank and file union members". Others describe how "at best, worker representatives get information which management would otherwise deny them" and that "although union leaders were mesmerised by its potential, codetermination has not had much impact on the creation of worker capitalism but workers have been burdened with management responsibilities" (Krecji). In fact, the so-called "worker directors" become just like employers.

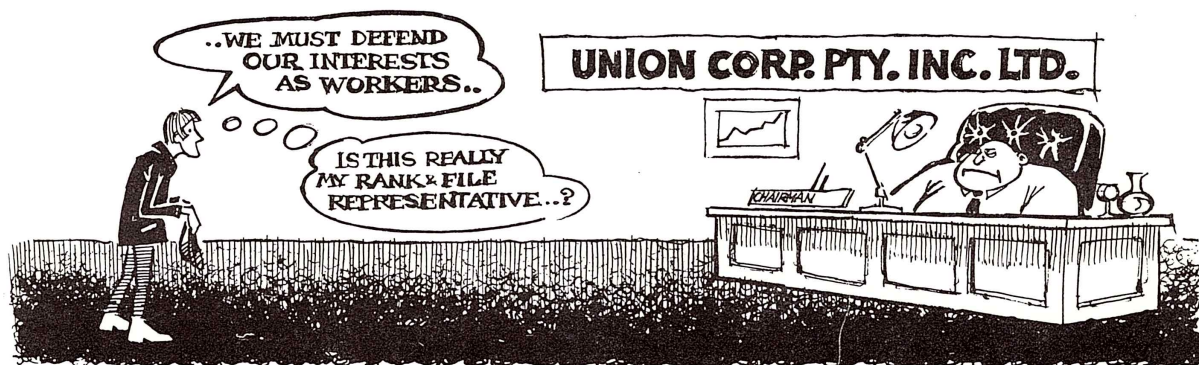
They enjoy all the benefits of directors and lose touch with the reality facing the rank and file workers.

The tragedy is that the first calls for genuine workers' councils arose in 1918 as workers demanded to take control of the economy to ensure that essential food and materials supplies were maintained. The works councils are a far cry from what those workers envisaged. The original demand has been twisted into a tool to serve the business interests. It is no

coincidence that in 1979 the NZ Employers' Federation published a booklet supporting worker participation.

There is another important feature of the FRG union structure that has not been mentioned. We have seen how the right to strike is severely limited, unions are loathe to strike, union leaders accept the need for profits and private ownership. We have also seen how the "codetermination" system coaxes union leaders into quasi-employer roles and how in fact the workers only have substantial representation on the works committee which makes relatively minor decisions. However, in addition to that, the DGB is also an actual employer of massive proportions. It is the sole owner of *Neue Heimat*, the largest building and property development concern in Europe. They also have majority shareholdings in the *Bank für Gemeinwirtschaft* (the fourth largest national bank), the *Volksfursorge* (which is the largest insurance company), the *Bausparkasse* (which is the third largest building society), also the largest food wholesaler and one of the three largest travel companies. And where does Mr Heinz Vetter, as president of the DGB, fit into this setup? Well, you see, he is also president of the *Bank für Gemeinwirtschaft*!

So—this completes the picture. Mr Heinz Otto Vetter was on the trade delegation to NZ not just as a collaborator of FRG big business, but also as an actual direct representative of FRG financial interests.



THE NEW ZEALAND CONNECTION.

A. N.Z. GOVERNMENT MOVES TO ATTRACT FOREIGN INVESTMENT.

It is essential to realise the client role the NZ Government is playing, that far from being a passive bystander, it is actively soliciting for foreign investment.

Lest there be any doubts about NZ's official position, here is a quote from the report of the March 1979 West German delegation to NZ

"In its efforts to diversify its economic structure, NZ has high hopes for an increased involvement by German industry. The Government is ready to allow for this objective by means of a step by step liberalisation of the NZ economic system and to eliminate impediments in the administrative area." (*Christchurch Star*, 25/8/70).

This became clear when the minutes of the October 1978 meeting in Rotorua between members of the visiting FRG delegation and NZ Cabinet Ministers and senior officials were leaked, to an environmental organisation. A knowledge of what occurred at that meeting is particularly revealing in the light of subsequent events.

THE BIG SELL-OUT

The NZ delegates made their position crystal clear—NZ was available for investment in energy-intensive, export-oriented industries. (Lest anyone be uncertain as to the nature of such industries, there is already one example operating in the country: the Comalco aluminium smelter). This point was stressed very forcefully to the Germans, Mr Muldoon

later spelt it out in a speech quoted in the *The Press* (9/11/79):

"With new prices for oil, many energy sources that had previously been too expensive had now become viable... The development of those resources together with the development of our forest resources, which will have matured by the late 1980s, and our 200 mile economic zone, brings an entirely new series of dimensions to the NZ economy. To exploit these resources NZ would need vast sums of capital. (The scenario calls for \$4000m-\$5000m, all of it borrowed overseas—Ed.) The industries NZ would build would essentially be export industries that would more than suffice to service the borrowings, with a large additional income for the country. There would be a surplus of electrical energy in the far south for the next 15 years and the Government was negotiating for several energy-intensive industries for that part of NZ..."

SOME EXAMPLES

The Government has given the go-ahead to foreign investors, particularly the Germans, in a number of diverse ways. For instance, it has relaxed its policy on the commercial exploitation of Antarctica. The FRG government is currently engaged in establishing a large scale presence in Antarctica, initially working from Timaru. At the October 1978 meeting, Mr H. Templeton, Associate Minister of Finance, said that fishing joint ventures "would reach out also into the southern waters surrounding Antarctica". The Government has



openly invited the FRG interests to involve itself in the South Pacific, as a counter to Soviet moves. In return the FRG has agreed to consult with it on German development aid to Western Samoa and Tonga, a move hailed as a new step in bilateral relations between the FRG and NZ governments.

Some incentives for multinationals are not so obvious. The 1979 Budget devalued the dollar by 5%, and, more importantly, established a policy of continuous devaluation. So from June until February 1980, the dollar was devalued by 0.4%-0.5% per month, making a total devaluation of 8.3% since the Budget. The deutschmark is one of the world's strongest currencies—the continuous devaluation of an already weak dollar makes land, plant, etc much cheaper here, and thus much more attractive to German multinationals, among others.

FULL SPEED BACKWARDS

In some fields, the results are obvious. The German delegates asked for a list of NZ resource development possibilities (particularly energy) for the benefit of the following March 1979 FRG delegation. The 1979 Budget announced that the Government is "compiling a catalogue of development possibilities and as well the Government is producing a German-language 'Guide to New Zealand for German Investors' ", with a preface by Mr Muldoon himself. The 1978 German delegation raised the subject of the Government's restrictive immigration policies since "there are complaints in Germany." Lo and behold, the 1979 annual report of the Labour Department stated that the Government will now consider residence applications by businessmen regardless of age, occupation or nationality" as long as it can be established that they will bring to NZ both capital and skills which will benefit the country". The sole beneficiary of this policy at the time of writing is one German businessman.

Because the Germans were worried about Government restrictions on foreign investment Mr Gair promised an overview. In the 1979 Budget the Government announced that it would "liberalise controls on foreign investments". It was called "streamlining", a term that was to become a favourite of Ministers, justifying moves to make life easier for multinationals. Mr Muldoon spelled it out in July 1979: "the major problem in investors' eyes seems to be the 24.9% foreign equity above which approval from the (Overseas Investment) Commission is required". That same month Government announced measures "aimed at removing impediments to worthwhile foreign investment". Takeovers and purchases of assets up to \$500,000 get automatic approval; overseas controlled companies were allowed to increase their borrowing. Up to and including 24.9% of shares may be sold overseas without approval.

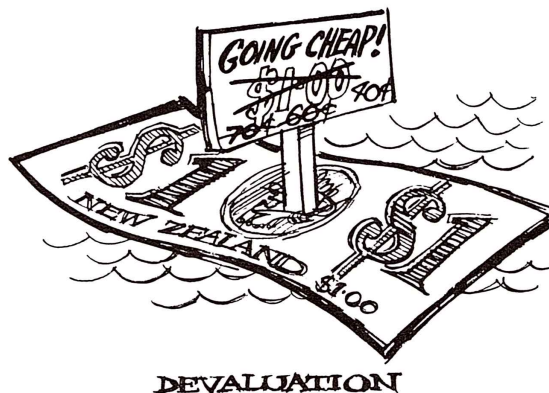
Other incentives to the Germans have taken the form of legislation. The minutes of the October 1978 meeting stated that the Germans "are horrified if they look from British to New Zealand trade unions. The NZ system was not an attractive point for Germans". The delegate from the German Con-

On December 2nd, 1977, the Governments of NZ and the FRG signed an agreement for scientific and technological cooperation. Aimed at strengthening NZ's ties with the FRG, it was specially designed for the particular fields of agriculture, energy and oceanography.

The agreement came into force in October 1978 when it was used to establish a fund for short term visits to the FRG by New Zealanders in both the public and private sectors. This fund has financed many (mainly private) visits since then.

The agreement, details of which are not readily available to the public, has set the political and economic scene for what appear to be very extensive contacts between NZ and the FRG.

Within the FRG there is a powerful lobby with a special eye on this part of the world. This is the Hamburg-based Australia-New Zealand-South Pacific Association, comprising approximately 85 German firms. Its stated aim is "to lead more Germans to the fifth continent" (ie Oceania). An indication of its political influence is the fact that it lobbied in the FRG for liberalisation of lambmeat exports, with the results that NZ exports of lambmeat to the FRG increased 34.2% (from June 1977 to January 1978).



federation of Trade Unions, Mr H Vetter, felt that problems should be settled by "trade union experts of both countries" and suggested that NZ and German unions should exchange visits.

In October 1979, FOL President, Mr J. Knox, was supposed to be part of NZ's first official delegation to the FRG. Had he gone, he would have been the first union representative to have accompanied any official NZ delegation.

1979—A BAD YEAR FOR LEGISLATION

The leaked 1978 minutes state "Mr Gair mentioned possible difficulties with environmentalists following decisions which had been made by the Government to produce energy from hydro ventures and geothermal energy sources". Hence the 1979 National Development Act, a block-buster that leaves the final decision on projects declared to be of "national importance" in the hands of the Minister of National Development. The Government justifies it on grounds of "streamlining". But the beneficiaries are obvious when one considers the ongoing announcement of new, massive, energy-intensive, capital-intensive, foreign-controlled, projects. This Act, that overrides 22 others, is not concerned with the environment, but with environmentalists, aiming to crush all effective opposition to such projects and to smooth the path for forthcoming massive foreign investment. The indecent haste with which the Government rammed it through underlines its purpose.

Two further interrelated Acts are of direct benefit to multinationals. The 1979 Remuneration Act, which overrides 14 others, and which repealed the 1977 General Wage Orders, allows for Government interference in wages and conditions, and for direct wage cuts, as were imposed on the drivers and freight forwarding storemen and packers. The

Government backed down over the former's 1979 award, but the latter award was made in full by Government decree. The 1979 Commerce Amendment Act, which overrides 13 others, allows the Government to prevent, by regulation, employers from passing on all or part of "excessive" wage increases. It can limit profit margins and any other price fixing considerations. This is to prevent employers from reaching deals with unions that are unacceptable to the Government.

THE GLOVES ARE OFF

Coupled with these Acts is a rash of recent proposals aimed at further restricting civil liberties. They include powers to search people and vehicles (without warrants) for offensive weapons; to conduct internal bodily searches or withhold bail; to take body samples from prisoners (with a refusal constituting an internal prison offence); to close streets where disorder is suspected of being about to occur. Hotels can now exclude certain people; the police have riot gear. All this adds to the plethora of recent authoritarian legislation restricting individual liberties: the Security Intelligence Service Amendment Act; the Industrial Relations Act; the Contraception, Sterilisation and Abortion Act; moves tightening up on unlawful assembly etc, etc. Drugs and gangs are used as convenient scapegoats to justify these to the public. Failing that, communists (particularly the Socialist Unity Party) will do.

What does all that have to do with multinationals? By ceaselessly restricting individual liberties, the Government guarantees a cowed and passive population that won't and can't get out of line as major deals are forced through. The *Christchurch Star* (27/10/79) had one page with three major articles that, consciously or not, neatly summed up the present situation. The headlines read:

"Apparatus for a police state has steadily grown"

"Govt, MPs holding to controversial Bill's 3 principles" (referring to the then National Development Bill)

"Govt rolls out red carpet for Saudi"

That says it all.

THE ALTERNATIVE?

After this depressing list of National Government measures to make NZ a profitable investment for multinationals, we should examine the attitude of the prospective alternative, the Labour Party. The leaked 1978 minutes state that the Deputy Prime Minister, Mr B Talboys,

"indicated that whatever views the Opposition might be stating before the (1978) election about investment policy, their attitude could be different were they to win the election. Basic changes which had been occurring in the economy had been forcing changes of policy attitudes."

Sure enough Mr W Rowling, Leader of the Opposition, is reported in the *Christchurch Star* (27/10/79) as saying that "any agreement that is properly entered into under the rules at the time must stand". No Labour Government will cancel any foreign investment deals concluded under National.

B. IMPACT ON NEW ZEALAND WORKERS.

THE SLEDGEHAMMER

The leaked 1978 minutes reveal the eagerness of the NZ party to oblige the West Germans in any requests they made. The NZ Government has taken the criticisms of the unions in this country very seriously and we can see the results of this in the legislation since that date.

The most obviously related is the 1979 Fishing Industry (Union Coverage) Act.

This Act allows the Government to amend the rules of existing unions to exclude their coverage of workers in the fishing industry, to provide that no union can be registered in the industry without the consent of the Minister of Labour—he must be satisfied that it will "assist in the establishment or maintenance of harmonious industrial relations within the fishing industry"—and that once registered it cannot amalgamate or become a member of an industrial association. The Minister is given such sweeping powers that he could easily prevent any union ever being registered under this Act. This puts NZ on par with totalitarian countries. Its purpose is not to defend its members' interests but to put



first the employers' need for continuous production and profit.

The fishing industry workers have never been a strong force in the NZ labour movement, compared to giants such as the drivers or watersiders. So for the State to assume such draconian powers in this area is like using a steam hammer to crush an ant. What has been pointed out by those concerned with political independence and freedom is that such legislation creates a clear precedent. Similar principles could easily be applied to other export-oriented industries, such as those stemming from Maui gas or the forestry industry, or the freezing industry.

IN BRIEF

The Agricultural Workers Act restricts the right of the NZ Workers Union to organise farm workers, the Shop Trading Hours Act restricts the right of shop employees to control their hours of work, the Human Rights Commission Act prevents unionists from influencing fellow workers to join the union.

There are many other Acts, regulations, etc, principally the Industrial Relations Act and its amendments, which restrict and suppress trade unions in NZ, but the ones noted above have all come into existence since the visit of the West Germans in 1978 and 1979.

WEAK UNIONS CHEAP LABOUR

We can see that the NZ unions have been under considerable pressure from Government regarding union membership and legal restrictions on trade union rights. There is also a growing pressure to form industry unions to weaken some of the militant craft unions (this doesn't mean that the trade union movement shouldn't initiate its own form of industry-wide union that retains its militancy).



The pressure for government-style industry unions is steadily growing. The Planning Council has made several strong attacks on the present trade union structure. The 1980 Kineith dispute, although a victory for the workers concerned, nevertheless conceded ground to the employers and Government over industry unions, which could isolate militant, small unions. There is no doubt that, particularly in areas of present and future high levels of foreign investment, the Government is pushing very hard (as the prolonging of the Kineith dispute showed) for a reorganisation of trade unions into industry unions tied to wages and conditions based on a moderate trendsetting award (e.g. the metal trades). There is also growing talk of some "participation" schemes.

C. N.Z. SUPPORTERS OF GERMAN INVESTMENT.

In the "good old days", colonialism was the principal means for the foreign control of a country's land, resources and people, i.e., a country was physically occupied. However, since colonialism proved impossible to maintain, the more subtle neo-colonialism is today's "enlightened" method. Neo-colonialism has the same effect as its forbear: Foreign governments and multinationals benefit from the exploitation of other countries. The difference is that it is done not by direct force but by employing a "friendly" local government to use that force—and by using local business agents to carry out the exploiting companies' activities. These agents form a small but powerful class of local people who benefit from the exploitation of their own country and provide the political pressure needed to keep the government on "the right track"—the track of "multinational government."

It can fairly be said then, that without these local agents the multinationals and their home governments would have to resort to overt force to achieve their exploitative ends.

THE PRINCIPLE AGENTS

Who are these agents in New Zealand? There are literally thousands of companies (in this country) big and small, which make money by acting as agencies. In partnerships, in "joint ventures", with franchises and licensing arrangements, and by cooperating with one or more multinational—some do nothing else.

But in organised form, two groups stand out: the Chamber of Commerce and the Manufacturers' Federation. While posing as champions of individual enterprise and initiative their message has in fact been—"we can't do it ourselves: we must call in the multinationals".

Mr A. G. Williams, recently president of the Canterbury Chamber of Commerce said:

"We have proved that N.Z. does not always have the expertise, finance or the opportunity for markets without the assistance of overseas companies . . . We have the raw materials, energy, a good labour force looking for work. It

The Japan-New Zealand Businessmen's Council is another organisation actively promoting and defending foreign investment in New Zealand. A member of the Council, Mr B. Tolley, said (*The Press*, 29/10/79) "We need foreign capital and technology to develop our resources for all New Zealanders. There is no way we can do it alone". He criticised the Labour Party for making (very mild) criticisms of foreign investment, saying: "the present situation where NZ is searching the world for foreign investors is a delicate one which could easily be upset by political outbursts". In other words, everyone should shut up until it's too late.

is not exploitation . . . it is creating opportunity for the country's and the people's benefit." ("Foreign Control Watchdog", October 1979).

"We must use our resources in the best way and we need overseas capital and technology to do this", said current Manufacturer's Federation president, Mr F. Turnovsky (*The Press*, 29/10/79).

PBEC

Both these organisations are cosponsors in NZ (with the NZ Bankers' Association and Federated Farmers) of the Pacific Basin Economic Council (PBEC)—an organisation dedicated to the "urgent need for business enterprises to co-operate with each other and with governments and international institutions in the overall economic development of the Pacific Basin". In plain language PBEC is an organisation promoting the exploitation of the Pacific Basin for its members' profit.

PBEC includes in its membership such notorious names as:

- Comalco
- Conzinc RioTinto of Australia (CRA)
- Colonial Sugar Refining Co. (CSR)
- Alcan,
- Nippon Steel
- Sumitomo Chemical
- Taiyo Fisheries
- South British Insurance
- MacDonald Holdings (NZ) Ltd
- Ivan Watkins Dow
- Caltex
- British Petroleum (BP)
- Shell
- Mobil
- Standard Oil of California
- Lockheed

etc, etc—most of whom are already involved in the exploitation of NZ. The Chambers of Commerce's close relations with foreign companies is epitomised in the position of its executive secretary, Mrs Esme Marris, she is also the director-general of PBEC's New Zealand Committee and executive secretary of the Japan-New Zealand Businessmen's Council.



Demonstrators protesting against the Pacific Basin Economic Council. (*Press*, 9.5.77)

N.Z. TRADE DELEGATION TO F.R.G. OCT. 1979

In October 1979 response to an invitation from the Fed. of West Germany Industries (BDI), a delegation from the NZ Manufacturers, Federation and Chambers of Commerce spent 10 days in the FRG.

Among those who went to Germany were: Mr F. Turnovsky, Leader of the delegation. Current president of the NZ Manufacturer's Federation and a director of many large companies (including AWA New Zealand Ltd and Buxton Leather Goods NZ Ltd); Mr F. H. Renouf, deputy leader, and director of such firms as New Zealand Short Term Investments Ltd, Auckland Intercontinental Properties Ltd, and New Zealand United Corporation Ltd; Mr R. J. Stewart, a director of both PDL Industries Ltd and Skope Enterprises Ltd; Mr D. A. Beaven, senior vice-president of the Canterbury Manufacturer's Association and a director of Mancan Foundation Ltd (specialists in promoting trade fairs which are a vital link for establishing export orders to the FRG); Mr J. C. Fletcher, chairman of Fletcher Holdings Ltd (and its countless subsidiaries) and a director of many other firms, including Alcan NZ Ltd and the South British Group. Mr A. G. Williams, a director of TNL Group Ltd and current president of the Canterbury Chamber of Commerce; Mr M. A. Stevens, a director of Lane Walker Rudkin Industries Ltd; Mr J. Hunn, the general manager of the Development Finance Corporation; Mr J. W. Foreman, chairman of Trigon Industries Ltd;

Mr G. H. Datson, the Deputy Secretary of the Department of Trade and Industry; and representatives from many other firms including the Winstone Group and Andrews and Beaven.

(The 21st member of the delegation was originally scheduled to be Mr J. Knox, president of the FOL—he withdrew because of the industrial situation at home that resulted in the 24 hour general strike).

The group made no secret about its aims which were to encourage investment and joint venture arrangements with West German partners and generally to promote trade and economic cooperation.

The Germans were told that New Zealand government and business were interested in "cooperating with" their West German counterparts, as evidenced by the government's slackening of foreign investment controls in the 1979 budget. The mission emphasised that, as a country in which to invest, New Zealand could offer not only a receptive government and a stable political scene, but also large quantities of unexploited resources and a highly educated workforce.

The Germans were particularly interested in the New Zealand government's plans for developing energy and raw materials and they also showed an interest in New Zealand as an access route to the Pacific Basin.

The members of the delegation were "all very happy with the outcome" of the visit.

PRESSURE GROUP

With this background of unreserved support for foreign investment, it is not at all surprising that the Chambers of Commerce and the Manufacturer's Federation should be playing the principal quisling role with regard to West German investment in NZ.

The host for the March 1979 delegation of West German businessmen was the Chambers of Commerce. They organised seminars explaining investment opportunities for the Germans, made statements supporting such investment, and entertained the visitors.

Then in October 1979, NZ businessmen returned the visit in a delegation led by Mr Turnovsky of the Manufacturer's Federation. This delegation was for the clear purpose of deepening existing contacts already made and presenting changes in NZ Government policy and making more concrete proposals to whichever German businessmen would listen. Prominently present in that delegation were representatives from the Chambers of Commerce, e.g. current Canterbury president, Mr A. G. Williams. On his return Mr Turnovsky said "the 20 member mission has looked at opportunities in Germany and Switzerland for obtaining technology and investment capital" and suggested government moves to ease things along (*Evening Post*, 23/10/79).

Clearly both these businessmen's groups are in the forefront of the drive to encourage foreign investment in New Zealand. Their interest is obvious: member companies will be in the first and biggest beneficiaries of agencies, joint ventures, and contracts if the overseas investment eventuates. It is in their interest to pressure the government into faster, larger-scale overseas control in New Zealand.

It is well to remember too, that the West Germans and other foreign investors must have cooperation from NZ groups with knowledge of opportunities for investment and of laws, procedures, local customs, and so on. They must also have people willing to act as their agents in order to collect profits from their investments in NZ. As we have seen, local big businessmen and their organisations, flaunting the banner of "private profit and foreign investment before all else", are only too willing to oblige.



CONCLUSION

We have seen throughout this booklet how the new wave of foreign investment coming into New Zealand spells trouble for the vast majority of people.

We should remember that New Zealand is by no means the first or only country to suffer such an invasion of multinational capital and we should ask ourselves, do we really want to end up in the same position as the peoples of South Korea, Argentina, Indonesia, Chile . . . where capital rules unhindered? Do we want mass unemployment, subsistence wages, meagre social welfare and a violently oppressive government?

The thrust of this booklet is that we do not! We must fight against these trends and think deeply about their causes. Many organisations oppose and fight the sell-out to various degrees. They range from trade unions to environmental groups to political parties.

We call on people to help those in action against the multinational takeover and the local establishment that welcomes it here.

It is only by the organised activity of ordinary people that a better future will be won.

